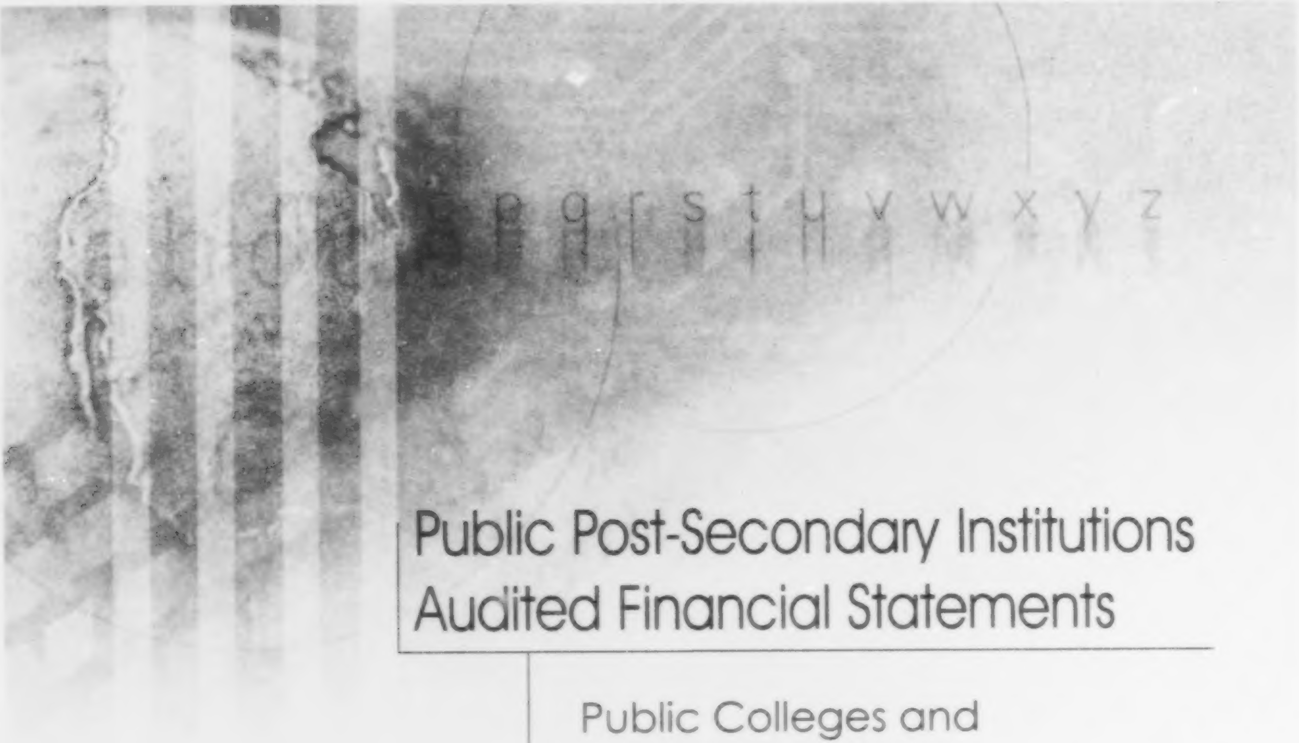
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Public Post-Secondary Institutions Audited Financial Statements

Public Colleges and
Technical Institutes -
For the Year/Period Ended
June 30, 2002

Universities and Banff Centre
for Continuing Education -
For the Year Ended
March 31, 2003

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Public Post-Secondary Institutions
Audited Financial Statements

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104-02007/

ALBERTA COLLEGE – EDMONTON

Financial Statements

Year ended June 30, 2002

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Interim Governing Authority

I have audited the statement of financial position of Alberta College - Edmonton as at June 30, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
August 20, 2002

ALBERTA COLLEGE – EDMONTON

Statement of Financial Position

June 30, 2002, with comparative figures for 2001

Assets

	2002	2001 As restated (see note 4)
Current assets:		
Cash – unrestricted	$ 1,256,474	$ 927,426
Accounts receivable	150,121	151,163
Inventories	58,222	77,218
Prepaid expenses	22,791	88,955
	1,487,608	1,244,762
Cash – restricted	144,292	486,652
Capital assets (note 5)	4,615,132	4,886,757
	$ 6,247,032	$ 6,618,171

Liabilities and Net Assets

	2002	2001
Current liabilities:		
Accounts payable and accrued liabilities	$ 209,832	$ 423,868
Unearned revenue	987,574	1,205,536
Deferred contributions (note 6)	9,442	17,433
Current portion of obligations under capital leases	–	310,441
	1,206,848	1,957,278
Obligations under capital leases	–	152,410
Deferred capital contributions (note 7)	–	299,102
Unamortized deferred capital contributions (note 8)	723,033	731,252
	1,929,881	3,140,042
Net assets:		
Endowments	144,292	187,550
Unrestricted	280,760	(402,075)
Invested in capital assets (note 5)	3,892,099	3,692,654
	4,317,151	3,478,129
Subsequent event (note 3)		
	$ 6,247,032	$ 6,618,171

The accompanying notes are part of these financial statements.

Approved by the Interim Governing Authority:

ALBERTA COLLEGE – EDMONTON

Statement of Operations

Year ended June 30, 2002, with figures for the 10 month period ended June 30, 2001

	2002	2001 As restated (see note 4)
Revenue:		
Tuition fees	$ 5,992,197	$ 6,258,548
Government grants	3,301,183	1,830,587
Rental and sundry income	518,815	468,548
Amortization of deferred capital contributions (note 8)	307,321	245,892
Textbook sales	224,262	206,474
Interest income	71,478	51,710
Donations and collections	53,406	50,402
	10,468,662	9,112,161
Expenses:		
Salaries, contracts and benefits	6,518,711	5,680,019
Maintenance, utilities and security	1,011,435	742,471
Amortization	548,897	421,036
Advertising	318,066	237,200
Office supplies	301,229	198,511
Computer maintenance	219,639	193,047
Textbooks	206,807	178,057
Travel and entertainment	141,552	89,331
Miscellaneous	103,655	50,334
Bank charges and payroll service	52,793	35,919
Scholarships	26,462	17,565
Professional fees	31,618	19,258
Insurance	29,269	19,535
Postage	19,985	22,960
Piano tuning and moving	17,649	18,722
Debt collection fees and bad debts	15,260	5,228
Memberships and subscriptions	12,818	21,465
Minor equipment purchases	10,537	14,727
Mortgage and loan interest	–	141,197
	9,586,382	8,106,582
Excess of revenue over expenses	$ 882,280	$ 1,005,579

The accompanying notes are part of these financial statements.

ALBERTA COLLEGE – EDMONTON

Statement of Changes in Net Assets

Year ended June 30, 2002, with figures for the 10 month period ended June 30, 2001

	Restricted for scholarship endowments	Unrestricted	Invested in capital assets	2002 Total	2001 Total
					As restated (see note 4)
Balance, beginning of period	$ 187,550	$ (402,075)	$ 3,692,654	$ 3,478,129	$ –
Net assets acquired on transfer from Alberta College	–	–	–	–	187,550
Excess of revenue over expenses	–	882,280	–	882,280	1,005,579
Transfer to NAIT	(10,000)	–	–	(10,000)	–
Transfer to St. Stephen's College	(32,258)	–	–	(32,258)	–
Transfer to deferred contributions	(1,000)	–	–	(1,000)	–
Transfers:					
Amortization of internally funded capital assets	–	241,576	(241,576)	–	–
Additions to capital assets	–	(216,026)	216,026	–	–
Repayment of capital leases	–	(224,995)	224,995	–	–
Repayment of land long-term debt	–	–	–	–	2,285,000
Balance, end of period	$ 144,292	$ 280,760	$ 3,892,099	$ 4,317,151	$ 3,478,129

The accompanying notes are part of these financial statements.

ALBERTA COLLEGE – EDMONTON

Statement of Cash Flows

Year ended June 30, 2002, with figures for the 10 month period ended June 30, 2001

	2002	2001 As restated (see note 4)
Cash flow provided from (used in) operating activities:		
Excess of revenue over expenses	$ 882,280	$ 1,005,579
Items not affecting cash flow:		
Amortization of capital assets	548,897	421,036
Amortization of deferred capital contributions	(307,321)	(245,892)
Change in non-cash operating working capital	(354,787)	(1,272,168)
	769,069	(91,445)
Cash flow provided from (used in) investing activities:		
Decrease (increase) in restricted cash	342,360	(299,102)
Purchase of capital assets – internally funded	(216,026)	(284,857)
Purchase of capital assets – externally funded	(61,246)	–
	65,088	(583,959)
Cash flow provided from (used in) financing activities:		
Contributions received for repayment of building long-term debt, obligations under capital lease and equipment	–	1,276,246
Contributions received for repayment of long-term debt related to land	–	2,285,000
Repayment of obligations under capital lease	(462,851)	(262,144)
Repayment of long-term debt	–	(3,000,000)
	(462,851)	299,102
Net decrease in cash from normal operations	371,306	(376,302)
Transfer of endowments to other custodians	(42,258)	–
Cash flow provided on transfer		
Working capital deficiency assumed	–	2,601,669
Restricted cash and capital assets assumed	–	(5,210,486)
Debt and net assets assumed	–	3,912,545
	–	1,303,728
Net increase in cash	329,048	927,426
Cash – unrestricted, beginning of period	927,426	–
Cash – unrestricted, end of period	$ 1,256,474	$ 927,426

The accompanying notes are part of these financial statements.

1. Purpose of the organization:

Alberta College – Edmonton was established as a public college under the Colleges Act RSA 2000, C-19 and an Interim Government Authority appointed by Order-in-Council 262/2000. On August 31, 2000 Alberta College agreed to transfer all its assets and liabilities to Alberta College – Edmonton. Alberta College – Edmonton (the College) offered programs and courses in High School, Careers and Music until June 30, 2002. Effective July 1, 2002 the College's assets and programs transferred to Grant MacEwan College (Grant MacEwan) and the Northern Alberta Institute of Technology (NAIT) (note 3). The successor institutions are offering the College's programs and courses throughout the 2002–2003 academic year. The College is a not-for-profit organization and is exempt from taxation under provisions of the Income Tax Act. The College received a Tuition Fee Policy waiver under section 13(4) of the Colleges Act for the year ended June 30, 2002.

2. Significant accounting policies and reporting practices:

(a) General:

The financial statements of the College have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results.

(b) Revenue recognition:

The College follows the deferral method of accounting for grants and contributions, the key elements of which are:

(i) Unrestricted operating grants and other contributions are recognized as revenue in the year received or receivable.

(ii) Externally restricted non-capital contributions are deferred and recognized as revenue in the year when related expenses are incurred.

(iii) Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

2. **Significant accounting policies and reporting practices, continued:**

(b) Revenue recognition, continued:

(iv) Any externally restricted contributions requiring that the amounts should not be expended, such as endowment contributions, are recorded as direct increases in net assets. Restricted contributions for the purchase of capital assets which will not be amortized, are recorded as direct increases in net assets.

(v) Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as a direct increase to net assets, or is deferred and recognized as revenue in the period the related expenses are incurred.

(c) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(d) Capital assets:

Capital assets are stated at cost. Buildings, furniture and equipment, and equipment under capital lease are amortized using the straight-line method over their estimated useful lives. Purchases of less than $500 for an individual item are expensed as incurred.

Asset	Useful life
Building	32 years
Furniture and equipment	2 – 10 years
Equipment under capital lease	1.8 years

(e) Unearned revenue:

Enrolment fees paid in advance relating to programs and courses that will be held during the following year are deferred and recognized in the period the programs and courses are held.

3. **Subsequent event:**

The Minister of Learning has approved the transfer of the College's assets and programs to Grant MacEwan College and the Northern Alberta Institute of Technology (NAIT), effective July 1, 2002. The Tourism & Hospitality and Multimedia programs along with related assets will transfer to NAIT, with all remaining programs and assets being transferred to Grant MacEwan. The Minister of Learning intends to repeal the Order in Council that established Alberta College – Edmonton. It is expected that the College's assets and liabilities will be transferred at the College's net book value as follows:

	Alberta College Edmonton June 30, 2002	Transferred to	
		Grant MacEwan	NAIT
Cash – unrestricted	$ 1,256,474	$ 1,256,474	$ –
Non-cash working capital:			
Accounts receivable	$ 150,121	$ 150,121	$ –
Inventories	58,222	58,222	–
Prepaid expenses	22,791	22,791	–
Accounts payable and accrued liabilities	(209,832)	(209,832)	–
Unearned revenue	(987,574)	(987,574)	–
Deferred contributions	(9,442)	(9,442)	–
	$ (975,714)	$ (975,714)	$ –
Restricted cash and endowments transferred:			
Cash – restricted	$ 144,292	$ 144,292	$ –
Endowments	(144,292)	(144,292)	–
	$ –	$ –	$ –
Capital assets and contributions transferred:			
Capital assets	$ 4,615,132	$ 4,505,264	$ 109,868
Contributions	(4,615,132)	(4,505,264)	(109,868)
	$ –	$ –	$ –
Net assets transferred:			
Unrestricted	$ (280,760)	$ (280,760)	$ –

4. Amendments to the 2001 financial statements:

During 2002, the College determined that the amounts recorded as at September 1, 2000 for furniture and equipment and equipment under capital lease transferred to the College from Alberta College, as well as the useful lives for these assets, had been incorrectly recorded. The comparative figures for 2001 have been amended as follows:

	As previously reported	Correction of accounting	As restated
Statement of financial position:			
Capital assets	$ 4,960,670	$ (73,913)	$ 4,886,757
Unamortized deferred capital contributions	839,476	(108,224)	731,252
Invested in capital assets	3,658,343	34,311	3,692,654
Statement of operations:			
Amortization of deferred capital contributions	137,668	108,224	245,892
Amortization	347,123	73,913	421,036
Excess of revenue over expenses	971,268	34,311	1,005,579
Statement of changes in net assets:			
Balance beginning of period – invested in capital assets	3,658,343	34,311	3,692,654
Balance, end of period 2001 total	3,443,818	34,311	3,478,129
Statement of cash flows:			
Excess of revenue over expenses	971,268	34,311	1,005,579
Amortization of capital assets	347,123	73,913	421,036
Amortization of deferred capital contributions	137,668	108,224	245,892

5. Capital assets and investment in capital assets:

			2002	2001
	Cost	Accumulated amortization	Net book value	Net book value
				As restated (see note 4)
Land	$ 2,285,000	$ –	$ 2,285,000	$ 2,285,000
Building	1,729,854	103,193	1,626,661	1,680,719
Furniture and equipment	1,060,168	356,697	703,471	642,686
Equipment under capital lease	510,042	510,042	–	278,352
	$ 5,585,064	$ 969,932	4,615,132	4,886,757
Less:				
Obligations under capital leases			–	(462,851)
Unamortized deferred capital contributions (note 8)			(723,033)	(731,252)
Investment in capital assets			$ 3,892,099	$ 3,692,654

6. Deferred contributions:

Deferred contributions represent unspent contributions externally restricted for scholarships.

	2002	2001
Balance at beginning of period	$ 17,433	$ –
Transferred from Alberta College	–	17,433
Transferred from endowments	1,000	–
Transferred to revenue	(8,991)	–
Balance at end of period	$ 9,442	$ 17,433

7. Deferred capital contributions:

Deferred capital contributions represent unspent contributions externally restricted for capital purposes:

	2002	2001
Contributions received during the period:	$ –	$ 1,276,246
Transferred to unamortized deferred capital contributions (note 8):		
Payment for building debt	–	(715,000)
Payment for equipment	(61,246)	–
Payment for equipment under capital lease obligation	(237,856)	(262,144)
	(299,102)	(977,144)
(Decrease) increase during the period	(299,102)	299,102
Balance, beginning of period	299,102	–
Balance, end of period	$ –	$ 299,102

8. Unamortized deferred capital contributions:

Unamortized deferred capital contributions represent external funding of capital assets which will be recognized as revenue in the future.

	2002	2001 As restated (see note 4)
Beginning, beginning of period	$ 731,252	$ –
Amount transferred from deferred capital contributions (note 7)	299,102	977,144
Amount amortized to revenue	(307,321)	(245,892)
Balance, end of period	$ 723,033	$ 731,252

9. Budget:

The College is required to submit a budget, approved by the Interim Governing Authority, to the Minister of Alberta Learning for his approval. The 2001–2002 College Budget was approved by the Interim Governing Authority on May 31, 2001.

Revenue:	
Tuition fees	$ 7,058,683
Government grants	2,773,630
Facility rental	75,000
Other	552,500
	10,459,813
Expenses:	
Salaries, contracts and benefits	5,194,817
Contracts, recruitment and outside services	1,798,800
Amortization	740,000
Advertising	310,000
Physical plant maintenance	640,500
Utilities	366,000
Other	1,409,096
	10,459,213
Excess of revenue over expenses	$ 600

10. Donations to be kept in perpetuity:

Endowments consist of restricted donations to the College, the principal of which is required to be maintained intact.

11. Pension expense:

The College has a defined contribution pension plan in which all non-academic employees may participate after completing one year of full-time employment. The employee's contribution is matched by the College to a maximum of 7% of gross salary. The College's pension expense for 2002 was $105,415 (2001 – $82,079).

12. Salaries and benefits:

	2002			2001
	Salary (1)	Benefits and Allowances (2)	Total	Total (10 months)
President	$ 134,160	$ 20,970	$ 155,130	$ 122,300
Vice-President	95,420	10,417	105,837	82,044
Director of Multimedia	84,708	10,896	95,604	74,118
Director of Music	81,744	10,151	91,895	73,262
Principal	69,996	6,639	76,635	57,505
	$ 466,028	$ 59,073	$ 525,101	$ 409,229

(1) Salary includes regular base pay.

(2) The College's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, short-term disability plan and tuition.

13. Related parties (restated):

Transactions between the College and the Province are disclosed in the statements of operations and financial position as follows:

				2002
	Revenue	Accounts payable	Accounts receivable	UDCC
Operating grant	$1,594,092	$ –	$ –	$ –
Transition grant	675,000	–	–	–
Private School Grant	347,754	97,073	–	–
CASE	287,000	–	–	–
ACCESS	206,138	–	–	–
Infrastructure	99,000	–	–	–
AISI	92,199	–	–	–
Amortization of:				
Contribution for building	22,344	–	–	674,036
Contribution for leases	272,728	–	–	–
Contribution for equipment	12,249	–	–	48,997
Contribution of land	–	–	–	–
Accounts receivable	–	–	101,485	–
	$3,608,504	$ 97,073	$ 101,485	$ 723,033

						2001
	Revenue	Deferred capital contribution	Accounts payable	Unearned revenue	UDCC	Invested in capital assets
Operating grant	$1,100,000	$ –	$ –	$ –	$ –	$ –
Private School Grant	288,913	–	172,194	–	–	–
CASE	199,650	–	–	–	–	–
ACCESS	148,000	–	–	58,865	–	–
AISI	94,024	–	–	–	–	–
Amortization of:						
Contribution for building	18,620	–	–	–	696,380	–
Contribution for leases	227,272	237,856	–	–	34,872	–
Contribution of land	–	–	–	–	–	2,285,000
Equipment	–	61,246	–	–	–	–
	$2,076,479	$ 299,102	$ 172,194	$ 58,865	$ 731,252	$2,285,000

ALBERTA COLLEGE OF ART AND DESIGN

FINANCIAL STATEMENTS

JUNE 30, 2002

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of the
Alberta College of Art and Design

I have audited the statement of financial position of the Alberta College of Art and Design as at June 30, 2002 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CA
Auditor General

Edmonton, Alberta
October 11, 2002

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2002

	2002	2001 (Restated - Note 3)
ASSETS		
Current:		
Cash and investments (Note 4)	$ 2,378,840	$ 2,635,600
Accounts receivable and prepaid expenses	529,048	124,722
Inventories	429,855	374,924
	3,337,743	3,135,246
Non-current:		
Cash and investments (Note 4)	2,888,178	2,266,723
Capital contributions receivable (Note 17)	760,939	847,459
Capital assets (Note 6)	7,945,630	8,102,094
	$14,932,490	$ 14,351,522
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable	$ 594,008	$ 398,439
Deferred tuition fees	80,540	93,379
Deferred contributions (Note 7)	623,271	516,577
Accrued vacation	667,558	583,245
Accrued benefits (Note 14)	40,154	63,934
	2,005,531	1,655,574
Non-current:		
Construction payables	-	369,768
Accrued benefits (Note 14)	75,483	21,033
Unamortized deferred capital contributions (Note 8)	7,390,348	7,494,865
Deferred capital contributions (Note 7)	1,727,731	1,262,317
	11,199,093	10,803,557
Net assets:		
Unrestricted	831,729	719,180
Internally restricted (Note 9)	610,000	578,202
Invested in capital assets	555,282	607,229
	1,997,011	1,904,611
Endowments (Note 10)	1,736,386	1,643,354
	3,733,397	3,547,965
	$14,932,490	$ 14,351,522

The accompanying notes are part of these financial statements

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2002

	2002		2001
	Budget	Actual	Actual
	(Note 15)		(Restated - Note 3)
Revenue:			
Grants (Note 11)	$ 7,306,717	$ 7,599,967	$ 6,926,822
Tuition fees	2,896,842	2,803,210	2,554,251
Continuing education fees	690,000	698,950	593,340
Bookstore sales	680,000	707,478	683,921
Sales, rentals and services	140,000	138,223	140,057
Donations, gifts in kind and fundraising events	319,336	405,639	593,097
Scholarships	35,500	25,050	35,445
Investment income (Note 5)	80,000	154,870	226,983
Gain on disposal of capital assets	-	3,114	-
Earned capital contributions (Note 8)	848,000	815,290	758,716
	12,996,395	13,351,791	12,512,632
Expense (Note 12):			
Salaries, benefits and allowances (Note 13)	$ 8,159,212	$ 7,782,985	$ 6,977,049
Supplies and services	3,049,527	3,449,436	3,059,707
Bookstore - cost of sales	414,000	465,679	441,417
Fundraising projects	229,336	473,090	604,088
Scholarships	52,000	88,338	90,800
Amortization	977,208	1,006,863	894,351
Loss on disposal of capital assets	-	-	18,000
	12,881,283	13,266,391	12,085,412
Excess of revenue over expense, for the year	$ 115,112	$ 85,400	$ 427,220

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002

	2002						2001
	Unrestricted Net Assets	Internally Restricted Net Assets	Investment in Capital Assets	Total Operating Net Assets	Endowments	Total Net Assets	Total Net Assets (Restated - Note 3)
Excess of revenue over expense	$ 85,400	$ -	$ -	$ 85,400	$ -	$ 85,400	$ 427,220
Transfer to internally restricted	(31,798)	31,798	-	-	-	-	-
Endowment contributions and capitalized interest (Note 10)	-	-	-	-	144,194	144,194	-
Transferred to deferred contributions (Note 10)	-	-	-	-	(51,162)	(51,162)	391,033
Internally funded:							
Purchase of capital assets	(144,920)	-	144,920	-	-	-	-
Amortization of capital assets	203,591	-	(203,591)	-	-	-	-
Net book value of capital asset disposals	276	-	(276)	-	-	-	-
Donated artwork	-	-	7,000	7,000	-	7,000	-
Increase (decrease) in net assets	112,549	31,798	(51,947)	92,400	93,032	185,432	818,253
Balance, beginning of year	719,180	578,202	607,229	1,904,611	1,643,354	3,547,965	2,729,712
Balance, end of year	$ 831,729	$ 610,000	$ 555,282	$1,997,011	$ 1,736,386	$ 3,733,397	$ 3,547,965

ALBERTA COLLEGE OF ART AND DESIGN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

	2002	2001 (Restated - Note 3)
Operating activities:		
Excess of revenue over expense	$ 85,400	$ 427,220
Non-cash transactions:		
Earned capital contributions	(815,290)	(758,716)
Amortization	1,006,863	894,351
(Gain) loss on disposal of capital assets	(3,114)	18,000
	273,859	580,855
Changes in non-cash working capital (Note 16)	(109,300)	(241,214)
Cash generated from operating activities	164,559	339,641
Investing activities:		
Purchase of capital assets:		
Internally funded	(144,920)	-
Externally funded	(710,773)	(875,803)
Donated artwork	(7,000)	-
Proceeds on disposal of capital assets	15,410	-
Increase in non-current cash and investments	(621,455)	(153,500)
Increase in accrued benefits	54,450	21,033
Cash used in investing activities	(1,414,288)	(1,008,270)
Financing activities:		
Decrease (increase) in capital contributions receivable	86,520	(198,416)
(Decrease) increase in construction payables	(369,768)	369,768
Capital contributions received	1,176,185	719,175
Increase in endowments, net	93,032	391,033
Donated artwork	7,000	-
Cash provided from financing activities	992,969	1,281,560
Net (decrease) increase in current cash and investments	(256,760)	612,931
Current cash and investments, beginning of year	2,635,600	2,022,669
Current cash and investments, end of year	$ 2,378,840	$ 2,635,600

ALBERTA COLLEGE OF ART AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2002

Note 1 Authority and Purpose

The Alberta College of Art and Design ("the College") operates under the authority of the Colleges Act, Chapter C-19, Revised Statutes of Alberta 2000. The College is a registered charity and is exempt from payment of income tax.

The College is a public institution for education in visual arts design and digital media, which delivers both post-secondary degree and diploma programs and adult and children's continuing education programming.

The College promotes cultural and artistic awareness in the College and the community through art exhibitions, public lecture programs and its collection of visual art and library resources.

Note 2 Summary of Significant Accounting Policies

a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates which may vary from actual results. The following accounting policies and reporting practices are considered significant.

b) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

c) Investments

Investments are recorded at cost. Gains are recognized at realization. Losses are recognized at realization or when there is an other than temporary impairment in the value of an investment.

Note 2 Summary of Significant Accounting Policies (continued)

d) Capital Assets

The land and building which house the College are owned by the Southern Alberta Institute of Technology (the "Institute") and are occupied by the College under a facility license granted by the Institute. The term of the license is through a renewable contractual agreement between the College and the Institute determined at the pleasure of the Minister of Learning.

The facility license providing the right to use the building has been recorded as an asset at fair value at the time the license was granted. Fair value is estimated as the building's amortized replacement cost based on an independent appraisal as at April 1982.

Subsequent additions to the facility are recorded as leasehold improvements at cost.

Furnishings and equipment are recorded at cost, except for donated assets which are recorded at fair value.

Capital assets, except for the artwork collection, are amortized on a straight-line basis over the following periods:

Facility license	28 years
Leasehold improvements	remaining life of the building
Furnishings and equipment	5 years

The artwork collection is made up of numerous pieces of art that are held for display in the College and used for educational purposes. The pieces in the collection are recorded at the purchase price or at the appraised value at the time of donation and are not amortized.

Construction in progress includes design fees and fees for construction directly attributable to the construction of the facility. Assets under construction are amortized when ready for use.

e) Revenue Recognition

Unrestricted contributions and investment income are recognized in the period when receivable.

Amounts received for fees and sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Note 2 Summary of Significant Accounting Policies (continued)

e) Revenue Recognition (continued)

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions and interest are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor.

Externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Externally restricted capital contributions and interest are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

f) Employee Future Benefits

The College participates with other employers in the Local Authorities Pension Plan (the "Plan"). This Pension Plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees based on their years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year based on rates which are expected to provide for benefits payable under the Local Authorities Pension Plan. The College's portion of the pension plan's surplus or deficit is not recorded by the College.

The College's Board of Governors has approved early retirement and voluntary severance plans which provide employees leaving the employment of the College under specific conditions with bridge payments, lump sum payments in lieu of benefits or continued benefits for specific periods. The bridge payments, lump sum benefit payments and liabilities for future benefit payments are recorded by the College in the year the retirement application is approved.

Note 2 Summary of Significant Accounting Policies (continued)

f) Employee Future Benefits (continued)

The College pays certain benefits for employees on long term disability. The present value of the estimated costs are recorded at the time the College becomes obligated under the plan.

g) Financial Instruments

The carrying value of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

Note 3 Prior Period Adjustment

The Southern Alberta Institute of Technology owns the building occupied by the College. The Institute received capital grants from the province that are designated for the building occupied by the College. The College has determined that these amounts should have been recorded as receivable. As a result, deferred capital grants, capital contributions receivable, grants and supplies and services were understated. The correction has been made retroactively with restatement of prior period amounts as follows:

	2001		
Statement of Financial Position	As Previously Reported	Adjustments	As Restated
Capital contributions receivable	$ -	$ 847,459	$ 847,459
Deferred capital contributions	$ 414,858	$ 847,459	$ 1,262,317
Statement of Revenue and Expense			
Grants	$ 6,891,510	$ 34,312	$ 6,925,822
Supplies and services	$ 3,025,395	$ 34,312	$ 3,059,707
Statement of Cash Flows			
Increase in capital contributions receivable	$ -	$ (198,416)	$ (198,416)
Increase in capital contributions received	$ 520,759	$ 198,416	$ 719,175

Note 4 Cash and Investments, Current and Non-Current

The Board of Governors, through its Finance Committee monitors the performance of the investment portfolio. Under the investment policy the prime objectives of the investment fund are the generation of income, conservation of capital and growth of capital. The prime constraints that guide the investment policy are risk aversion and liquidity.

Realized return includes interest income and gains and losses on disposals of investments. In 2002, the cash and investments obtained a realized return of 4.43% (2001 – 8.3%).

Investments are currently held as money market, bond and equity mutual funds managed through an investment advisor. Cash and investments are summarized as follows:

	2002			2001		
	Cost	Market	Yield to Market	Cost	Market	Yield to Market
Cash	$3,157,184	$3,157,184		$2,935,875	$2,935,875	
Mutual funds:						
Money market fund A/R	40,125	40,125		15,150	15,150	
Bond fund	849,179	856,948	5.83%	1,361,301	1,368,901	6.13%
Pooled equity account	1,220,530	1,196,108	3.43%	589,997	572,955	3.57%
Total cash and investments	5,267,018	$5,250,365		4,902,323	$4,892,881	
Held as non-current assets	2,888,178			2,266,723		
Held as current assets	$2,378,840			$2,635,600		

The carrying value of the pooled equity accounts is in excess of fair market value at June 30, 2002. The carrying value would be reduced to fair market value in those circumstances where the decline in value is other than temporary. In management's best judgment the decline in value is temporary.

Note 4 Cash and Investments, Current and Non-Current (continued)

Cash and investments held as non-current represent funds not available for current operations and comprise endowments and deferred capital contributions restricted for the purchases of capital assets as follows:

	2002	2001
Endowments (Note 10)	$ 1,736,386	$ 1,643,354
Deferred capital contributions	966,792	414,858
Internally restricted for capital (Note 9)	185,000	208,511
	$ 2,888,178	$ 2,266,723

Note 5 Investment Income

	2002	2001
Investment income on resources held for endowment (Note 10)	$ 138,532	$ 162,705
Capital gain on sale of mutual funds (endowed funds)	7,091	-
Investment income on unrestricted resources	74,858	166,716
Total investment income	220,481	329,421
Amounts credited directly to endowment principal (Note 10)	(36,406)	(41,068)
Interest deferred in the period	(29,205)	(61,370)
	$ 154,870	$ 226,983

Note 6 Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Facility license	$ 12,207,000	$ 7,411,648	$ 4,795,352	$ 5,231,293
Furniture and equipment	3,711,115	2,896,842	814,273	961,634
Leasehold improvements	3,027,937	1,015,940	2,011,997	774,915
Art collection	324,008	-	324,008	317,008
Construction in progress	-	-	-	817,244
	$ 19,270,060	$ 11,324,430	$ 7,945,630	$ 8,102,094

During the year, the College received donated assets valued at $7,000 (2001 - $Nil).

Note 7 Deferred Contributions and Deferred Capital Contributions

	2002	2001 (Restated - Note 3)
Contributions received during the year:		
Capital grants	$1,286,000	$ 702,868
Capital donations	32,650	8,000
Donations - gifts in kind	118,714	454,410
Donations - Scholarships	29,377	-
Non-capital grants	782,662	121,456
Non-capital donations	455,841	122,635
Restricted investment income	145,623	121,637
	2,850,867	1,531,006
Transferred to revenue:		
Operating grants	(946,999)	(288,233)
Donations, gifts in kind and fundraising events	(405,639)	(604,088)
Scholarships	(25,050)	-
Investment income	(80,012)	(60,267)
	(1,457,700)	(952,588)
Transferred to:		
Unamortized deferred capital contributions (Note 8)	(710,773)	(875,803)
Endowments	(110,286)	-
	(821,059)	(875,803)
Increase (decrease) during the year	572,108	(297,385)
Balance, at beginning of year	1,778,894	2,076,279
Balance, end of year	$2,351,002	$ 1,778,894
The balance is restricted for:		
Capital	$1,727,731	$ 1,262,317
Non-capital		
HRDC and Province of Alberta and conditional grant	260,973	272,963
Scholarships	216,541	183,008
Other	145,757	60,606
	623,271	516,577
	$2,351,002	$ 1,778,894

Note 8 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as earned capital contributions in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2002	2001
Balance at beginning of year	$ 7,494,865	$ 7,377,778
Add: transfers from deferred contributions (Note 7)	710,773	875,803
Less: amount earned and transferred to revenue	(815,290)	(758,716)
Balance at end of year	$ 7,390,348	$ 7,494,865

Note 9 Internally Restricted Net Assets

The Board of Governors has placed internal restrictions on operation net assets as follows:

	2002			
	Opening	Expended	Appropriations	Closing
Non capital:				
Human resource infrastructure	$ 136,000	$ -	$ 164,000	$ 300,000
Marketing, recruitment and promotion	50,000	13,808	13,808	50,000
Program and administrative reviews	29,338	28,000	(1,338)	-
Utilities	75,000	-	(75,000)	-
Website development and maintenance	60,142	14,518	14,376	60,000
College expansion initiative	19,211	-	(4,211)	15,000
	369,691	56,326	111,635	425,000
Capital:				
Equipment renewal plan	100,000	-	40,000	140,000
Other capital (renovations)	83,511	-	(83,511)	-
Administrative System Applications	25,000	24,601	44,601	45,000
	208,511	24,601	1,090	185,000
	$ 578,202	$ 80,927	$ 112,725	$ 610,000

Note 10 Endowments

	2002	2001
Balance at beginning of year	$ 1,643,354	$ 1,252,321
Donations received	107,788	349,965
Capitalized investment income	36,406	41,068
Transfer to deferred contributions	(51,162)	-
	93,032	391,033
Balance at end of year	$ 1,736,386	$ 1,643,354

During the year, investment income earned on endowments was recorded according to stipulations as follows:

	2002	2001
Income earned during the year (Note 5)	$ 145,623	$ 162,705
Recognized as revenue	80,012	60,267
Capitalized as endowment principal	36,406	41,068
Deferred	29,205	61,370
	$ 145,623	$ 162,705

Note 11 Grants

	2002	2001 (Restated - Note 3)
Province of Alberta:		
Base operating	$ 6,490,618	$ 5,911,031
Access funding	550,800	270,000
Energy and Enrolment grants	127,805	285,173
Community Lottery Board	111,784	26,869
Infrastructure renewal	143,937	133,173
Faculty/Staff Retention Grant	37,467	-
AHRE Disability Training grants	34,641	36,727
Performance funding	34,544	172,385
Curriculum Redevelopment Funding	25,323	-
Alberta Foundation for the Arts	21,116	22,172
Alberta Opportunity Bursary	11,131	9,500
Human Resources grants	6,051	32,216
Other	1,450	19
Volunteer centre grant	-	17,028
Knowledge network	-	3,451
	7,596,667	6,919,744
Other:		
Canada Council	3,300	2,150
Other	-	4,928
	$ 7,599,967	$ 6,926,822

Note 12 Expense by Function

	2002	2001 (Restated - Note 3)
Expense:		
Instruction	$ 5,027,615	$ 4,624,999
Institutional support	3,770,830	3,478,880
Academic support	1,962,629	1,637,530
Amortization	1,006,863	894,351
Student services	784,419	721,015
Other costs	714,035	710,637
Loss on disposal of capital assets	-	18,000
	$ 13,266,391	$ 12,085,412

Instruction encompasses all educational and instructional programs, including credit programming and continuing education. Academic support includes all activities that directly support instruction. Student services include all activities or services provided to students.

Institutional support includes all activities that provide institution-wide administrative and clerical support to institutional operations as well as college fundraising, communications and development expense. A significant component of fundraising and development expenses is an annual major fundraising event, the total cost of which is included in institutional support costs.

Other costs include the bookstore cost of sales and direct bookstore operations costs. Direct salary costs incurred by this department of the College include support for college wide purchase, receipt and distribution of all materials for instructional, operational and retail purposes.

Note 13 Salaries, Benefits and Allowances

Directive 12/98 from the Treasury Board of the Province of Alberta requires the College to disclose certain salaries and benefits. Those salaries and benefits are as follows:

	2002			2001
	Salary[a]	Benefits and Allowances[c]	Total	Total
Board of Governors				
Chair	$ -	$ -	$ -	$ -
Members	1,361	-	1,361	2,508
President	115,804	47,308	163,112	148,969
Vice President, Finance	82,158	29,761	111,919	105,041
Vice President, Academic[b]	-	-	-	86,366
Vice President, Development	66,706	11,140	77,846	72,484
Director - Student Services	69,012	11,090	80,102	74,817
	$335,041	$ 99,299	$434,340	$490,185

(a) Salary includes regular base pay, honoraria, and other direct remuneration.

(b) The Vice President, Academic position was vacant during the 2001-02 fiscal year.

(c) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, employment insurance, health care, extended health and dental coverage, group life insurance, accidental disability and dismemberment and workers compensation plans. Benefits and allowances also include contractual allowances paid to the President and Vice President, Finance and the accrual for an unfunded supplemental pension plan for the President.

Note 14 Employee Future Benefits

The College Board of Governors have provisions for early retirement plans for college employees. The College also provides a supplemental pension plan for the President. The College is also required, under the terms of its long-term disability plan, to continue payment of the employer's portion of health benefits and LAPP pension premiums while an employee is on long-term disability. The College's liability and expense under these plans included in the 2002 financial statements is $115,637 (2001 - $84,967).

Note 14 Employee Future Benefits (continued)

The liability for these benefits has been calculated using benefit rate increases averaged over the past 8 years, this future dollar value amount is discounted at a rate of 7%.

The pension expense recorded in these financial statements for the Local Authorities Pension Plan is equivalent to the College's annual contributions payable of $271,551 for the year ended June 30, 2002 (2001 - $251,179).

At December 31, 2001, the Local Authorities Pension Plan reported an actuarial surplus of $634,960,000 (2000 - $883,823,000).

Note 15 Budget

The budget was approved by the Board of Governors in May 2001 and amended in February 2002.

	Original Budget	Revised Budget
Revenue:		
Grants	$ 7,367,317	$ 7,306,717
Tuition fees	2,877,224	2,896,842
Continuing educations fees	559,859	690,000
Bookstore sales	606,900	680,000
Sales, rentals and services	125,000	140,000
Donations, gifts in kind and fundraising	267,500	319,336
Scholarships	30,000	35,500
Investment income	160,000	80,000
Earned capital contributions	892,000	848,000
	12,885,800	12,996,395
Expense:		
Salaries, benefits and allowances	7,458,230	8,159,212
Supplies and services	3,639,132	3,049,527
Bookstore - cost of sales	414,000	414,000
Fundraising projects	229,336	229,336
Scholarships	52,000	52,000
Amortization	1,004,000	977,208
	12,796,698	12,881,283
Excess of revenue over expense	$ 89,102	$ 115,112

Note 16 Changes in Non-Cash Working Capital

	2002	2001
(Increase) decrease in accounts receivable and prepaid expenses	$ (404,326)	$ 27,758
(Increase) decrease in inventories	(54,931)	15,493
Increase (decrease) in accounts payable	195,569	(245,608)
(Decrease) in deferred tuition fees	(12,839)	(2,256)
Increase (decrease) in deferred contibutions	106,694	(140,757)
Increase in accrued vacation	84,313	40,222
(Decrease) increase in accrued benefits	(23,780)	63,934
	$ (109,300)	$ (241,214)

Note 17 Related Party Transactions

a) Province of Alberta

The College is a Provincial Corporation as all members of the Board of Governors are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the College and the Province are disclosed as follows:

	2002		2001	
	Revenue	Deferred Contributions and UDCC	Revenue	Deferred Contributions and UDCC
			(Restated - Note 3)	
Operating grants	$ 6,490,618	$ -	$ 5,911,031	$ -
Access funding	550,800	-	270,000	-
Infrastructure renewal (IRE) grants	110,400	1,119,770	54,050	273,904
Energy grant	76,805	-	285,173	-
Unfunded enrolment growth	51,000	-	-	-
Faculty/staff retention	37,467	114,167	-	-
AHRE disability training grants	34,641	6,721	36,727	-
Performance funding	34,544	-	172,385	-
Alberta Foundation for the Arts	21,116	-	-	-
Community Lottery Board	12,411	93,560	26,869	-
Other	1,450	-	-	-
Alberta Opportunity Bursary	-	-	9,500	-
Human Resources grants	-	-	32,216	6,051
Total from deferred contributions	175,415	(175,415)	121,793	(121,793)
	$ 7,596,667	$ 1,158,803	$ 6,919,744	$ 158,162

b) Southern Alberta Institute of Technology

The land and building which house the College are owned by the Southern Alberta Institute of Technology (the "Institute") and are occupied by the College under a facility license granted by the Institute. The College and the Institute are parties to letters of agreement for the provision of utilities, maintenance and systems support. Amounts paid or payable to the Institute in 2002 for these purposes totalled $1,053,580 (2001 - $1,094,937). An amount of $395,983 was received in the current year from amounts held by the Institute for the building. The amounts were used for construction purposes.

The Institute still holds $760,939 (2001 - $847,459) of government grant funds that are to be used for the maintenance and repair of the building. The amount has been recorded as a capital contributions receivable. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair value.

Note 17 Related Party Transactions (continued)

c) Bow Valley College

The Alberta College of Art and Design and Bow Valley College collaborate in offering Artstream, a base funded program, which provides academic upgrading and foundation art courses to students in preparation for entry into the College's diploma or degree programs. Amounts paid to Bow Valley College in 2002 for these purposes totalled $52,003 (2001 - $44,550). These transactions were entered into on the same business terms as with non-related parties and are recorded at fair value.

d) Other

Transactions entered into between the College and Red Deer College are recorded at fair value. Transactions between the College and members of the Board are also recorded at fair value.

Note 18 Comparative Figures

Certain 2001 comparative figures have been reclassified to conform to 2002 presentation.

Note 19 Approval of Financial Statements

These financial statements were approved by the Board of Governors at the October 31, 2002 meeting of the Board.

BOW VALLEY COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2002

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Bow Valley College

I have audited the statement of financial position of the Bow Valley College as at June 30, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn CA
Auditor General

Edmonton, Alberta
October 11, 2002

BOW VALLEY COLLEGE

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2002

	2002	2001
Assets		
Current:		
Cash and short-term investments (Note 4)	$ 4,594,547	$ 1,779,768
Accounts receivable	1,893,197	1,776,853
Due from the Ministry of Alberta Learning	83,787	32,978
Inventories (Note 5)	593,363	471,642
Prepaid expenses	103,093	59,621
	7,267,987	4,120,862
Non- current cash and investment (Note 4)	6,967,268	6,776,606
Capital assets (Note 6)	23,394,376	22,644,845
	$ 37,629,631	$ 33,542,313
Liabilities and Net Assets		
Current:		
Accrued vacation pay	$ 1,478,654	$ 1,472,208
Accounts payable and accrued liabilities	1,574,331	773,354
Unearned revenue (Note 7)	1,425,811	777,658
Deferred contributions (Note 8)	1,263,642	626,592
Lease obligation (Note 12)	63,443	5,031
	5,805,881	3,654,843
Deferred capital contributions (Note 9)	4,132,300	3,951,678
Unamortized deferred capital contributions (Note 10)	19,396,207	19,754,059
Long-term lease obligation (Note 12)	224,862	-
	29,559,250	27,360,580
Net assets:		
Unrestricted	1,525,549	471,050
Internally restricted (Note14)	2,824,928	2,824,928
Invested in capital assets (Note 23)	3,709,864	2,885,755
Endowment (Note 3)	10,040	-
	8,070,381	6,181,733
	$ 37,629,631	$ 33,542,313

The accompanying notes are part of these financial statements.

BOW VALLEY COLLEGE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2002

	2002	2001
Revenue:		
Grants and provincial government contributions (Note 15)	$ 14,795,953	$ 12,951,998
Tuition fees	7,002,677	5,769,164
Contract programs (Note 16)	6,572,299	5,308,577
Ancillary services	1,233,825	1,092,817
Investment income	221,937	275,448
Donations and contributions	133,730	441,775
Gain (loss) on disposal of capital assets	1,672	(3,269)
Amortization of deferred capital contributions (Note 10)	1,336,304	1,301,901
	31,298,397	27,138,411
Expense:		
Compensation and benefits (Note 17)	18,689,969	15,980,861
Supplies and services (Note 18)	8,035,311	7,250,424
Ancillary services	813,770	787,159
Amortization of capital assets	1,782,502	1,650,786
Scholarship and bursaries	98,237	109,416
	29,419,789	25,778,646
Excess of revenue over expense	$ 1,878,608	$ 1,359,765

BOW VALLEY COLLEGE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2002

	2002					2001
	Unrestricted	Internally Restricted	Invested in Capital Assets	Endowment	Total	Total
Excess of revenue over expense	$ 1,878,608	$ -	$ -	$ -	$ 1,878,608	$ 1,359,765
Acquisition of internally funded capital assets	(1,193,111)	-	1,193,111	-	-	-
Repayment of obligation under capital lease	(93,303)	-	93,303	-	-	-
Contributions to endowment	-	-	-	10,040	10,040	-
Amortization of internally funded capital assets	462,305	-	(462,305)	-	-	-
Increase in net assets	1,054,499	-	824,109	10,040	1,888,648	1,359,765
Net assets, beginning of year	471,050	2,824,928	2,885,755	-	6,181,733	4,821,968
Net assets, end of year	$ 1,525,549	$ 2,824,928	$ 3,709,864	$ 10,040	$ 8,070,381	$ 6,181,733

BOW VALLEY COLLEGE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2002

	2002	2001
Operating activities:		
Excess of revenue over expense	$ 1,878,608	$ 1,359,765
Non-cash transactions:		
Amortization of deferred capital contributions (Note 10)	(1,336,304)	(1,301,901)
Amortization of capital assets - externally funded	1,320,197	1,287,272
Amortization of capital assets - internally funded	462,305	363,514
(Gain) loss on disposal of capital assets	(1,672)	3,269
	2,323,134	1,711,919
Net change in non-cash working capital (Note 22)	1,760,280	(315,447)
Cash generated from operating activities	4,083,414	1,396,472
Investing activities:		
Increase in non-current cash	(190,662)	(4,654,605)
Acquisition of capital assets - internally funded	(1,193,111)	(69,254)
Acquisition of capital assets - externally funded	(978,452)	(501,751)
Acquisition of capital assets – financing	(376,577)	(3,587)
Proceeds on disposal of capital assets	17,779	13,298
Cash applied to investing activities	(2,721,023)	(5,215,899)
Financing activities:		
Capital contributions received (Note 9)	1,159,074	4,027,627
Proceeds from lease obligation	376,577	3,587
Payment on capital leases	(93,303)	(118,836)
Endowment contributions	10,040	-
Cash generated from financing activities	1,452,388	3,912,378
Increase in cash	2,814,779	92,951
Cash and short-term investments, at beginning of year	1,779,768	1,686,817
Cash and short-term investments, at end of year	$ 4,594,547	$ 1,779,768

Note 1 Authority and Purpose

Bow Valley College operates under the authority of the Colleges Act, Chapter C-19, Revised Statutes of Alberta 2000.

The College serves primarily the City of Calgary and communities in Southern Alberta. The College provides instruction and training to assist adult learners through academic upgrading programs; career entry training in business, health, and service industries; and English as a second language programs. The College maintains a special interest in providing programs and services to aboriginal communities.

Prior to September 1, 1997, the College was operated directly by the Ministry of Alberta Learning.

The College is a registered charity and is exempt from payment of income tax.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates which may vary from actual results. The following accounting policies are considered significant:

(a) Revenue Recognition

Unrestricted Contributions

Unrestricted operating grants and other contributions are recognized as revenue in the period receivable. Operating grants received for use in a future period are deferred until that future period.

Restricted Contributions

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired.

Unamortized deferred capital contributions are recognized as revenue in the periods in which the related capital assets are amortized. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate how the related amortization expense has been funded. Unamortized deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal, provided that all restrictions have been complied with.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

(a) Revenue Recognition (continued)

Investment Income

Unrestricted investment income is recognized in the year it is earned.

Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as direct increases to net assets, or is deferred and recognized as revenue in the period the related expenses are incurred.

Program Delivery

Amounts received for tuition fees and sale of goods and services are recognized as revenue in the period in which the programs, goods or services are provided.

Revenue from contract programs are determined on the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

(b) Capital Assets

Capital asset acquisitions are recorded at cost, except donated assets which are recorded at fair value, when fair value is reasonably determined.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Building	22 years
Furniture, vehicles and equipment	10 years
Computer equipment and related software	3-5 years
Software development	3 years
Educational resources	2 years

Leasehold and site improvements are amortized over the lower of expected useful life of the related buildings or the remaining term of the lease.

Assets under capital leases are amortized on a basis that is consistent with the above.

(c) Inventories

Inventories, that are comprised of goods for resale, are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

(d) Employee Future Benefits

The College participates in the Public Service Pension Plan (PSPP) and the Management Employees Pension Plan (MEPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the College's participating employees, based on years of service and earnings.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

(e) Financial Instruments

The carrying value of financial assets and financial liabilities are considered to approximate fair value.

Note 3 Endowment

Endowment consist of externally restricted donations to the College, the principal of which is required to be maintained permanently. The investment income from the endowment has been designated for a recognition award.

Note 4 Cash and short-term investments, and non-current cash

Cash funds are invested in a daily interest earnings account with a Canadian chartered bank. The rates earned during the year ranged from 0.75% to 3.1% (2001: 3.25% to 5.70%). Short-term investments are invested in a Cash Management Fund with earned rates ranging from 2.37% to 2.53%.

	2002	2001
Investment	$ 10,278,065	$ -
Cash	1,283,750	8,556,374
Non-current	(6,967,268)	(6,776,606)
	$ 4,594,547	$ 1,779,768

Non-current cash and investment consists of amounts not available for current operations and includes:

	2002	2001
Deferred capital contributions (Note 9)	$ 4,132,300	$ 3,951,678
Internally restricted (Note 14)	2,824,928	2,824,928
Endowment	10,040	-
	$ 6,967,268	$ 6,776,606

Note 5 Inventories

	2002	2001
Books and Educational materials	$ 235,447	$ 190,163
Artwork	227,845	227,845
Consumable supplies	130,071	53,634
	$ 593,363	$ 471,642

Note 6 Capital Assets

	2002		
	Cost	Accumulated Amortization	Net Book Value
Building	$ 19,739,323	$ 2,016,111	$ 17,723,212
Land	2,305,697	-	2,305,697
Computer equipment and related software	4,364,167	2,767,535	1,596,632
Furniture and equipment	1,594,691	424,384	1,170,307
Leasehold and site improvements	825,083	242,359	582,724
Educational resources	117,047	116,475	572
Vehicles	63,642	48,410	15,232
	$ 29,009,650	$ 5,615,274	$ 23,394,376

	2001		
	Cost	Accumulated Amortization	Net Book Value
Building	$ 19,715,782	$ 1,119,231	$ 18,596,551
Land	2,305,697	-	2,305,697
Computer equipment and related software	4,247,401	3,307,067	940,334
Furniture and equipment	828,258	556,343	271,915
Leasehold and site improvements	718,265	206,004	512,261
Educational resources	116,132	116,132	-
Vehicles	63,642	45,555	18,087
	$ 27,995,177	$ 5,350,332	$ 22,644,845

Included in computer equipment and related software are assets under capital leases with a net book value of $352,717 (2001 - $88,932) and accumulated amortization of $386,362 (2001 - $273,570). The College also disposed of capital assets with an original cost of $1,533,667 and accumulated amortization of $1,517,559.

Note 7 Unearned Revenue

Unearned revenue is summarized as follows:

	2002	2001
Tuition fees	$ 1,261,923	$ 571,903
Contract programs	163,888	205,755
	$ 1,425,811	$ 777,658

Note 8 Deferred Contributions

The deferred contributions balance represents amounts accounted for in accordance with the accounting policy described in Note 2 (a).

	2002	2001
Contributions received during the year:		
Conditional funding	$ 2,227,899	$ 1,876,207
Donations and contributions	179,963	80,434
	2,407,862	1,956,641
Transferred to:		
Conditional funding	(1,641,167)	(2,297,697)
Donations and contributions	(124,645)	(131,183)
Endowment	(5,000)	-
Increase (decrease) during the year	637,050	(472,239)
Deferred contributions, beginning of year	626,592	1,098,831
Deferred contributions, end of year	$ 1,263,642	$ 626,592

Unspent amounts at the end of the year are restricted for the following purposes:

	2002	2001
Student Awards	$ 209,585	$ 174,771
Academic Foundations	418,647	4,874
Health Community Care	399,228	57,102
Learning Resource Services	179,389	283,642
Business and Industry Training	41,793	41,793
Facilities	15,000	-
English as a Second Language	-	64,410
	$ 1,263,642	$ 626,592

Note 9 Deferred Capital Contributions

	2002	2001
Contributions received during the year:		
Grant for Infrastructure Renewal Envelope	$ 918,826	$ 318,644
Access Grant for Practical Nurse Program	157,277	-
Grant for Smart Communities Program	41,739	-
Grant for Computer Equipment - Full Time LINC	38,232	-
Donation - Smart Classroom Equipment	3,000	13,930
Grant for College Renovation Project	-	3,000,000
Grant for Practical Nurse Program	-	605,898
Grant for Instructional Related Equipment	-	67,279
Grant for Assistive Technology Program	-	15,426
Grant for Computer Technology Certificate	-	6,450
	1,159,074	4,027,627
Transferred to:		
Unamortized deferred capital contributions (Note 10)		
Infrastructure Renewal Envelope	(548,701)	(162,979)
Practical Nurse Program	(303,782)	-
Smart Communities Program	(41,739)	-
Computer Equipment - Full Time LINC	(38,232)	-
Donation - Smart Classroom Equipment	(16,930)	-
Instructional Related Equipment	(11,636)	(328,386)
Knowledge Network	(9,817)	(10,386)
Computer Technology Certificate	(6,450)	-
Assistive Technology Program	(1,165)	-
Knowledge Network - Repayment of leases	-	(49,116)
	(978,452)	(550,867)
Increase during the year	180,622	3,476,760
Deferred contributions, beginning of year	3,951,678	474,918
	$ 4,132,300	$ 3,951,678
Unspent amounts at end of year are restricted for the following purposes:		
College Renovation Project	$ 3,000,000	$ 3,000,000
Infrastructure Renewal Envelope	620,498	250,372
Practical Nurse	447,510	605,898
Knowledge Network	43,764	41,699
Assistive Technology	14,261	15,426
Instructional Related Equipment	3,564	15,200
Business Information System	2,703	2,703
Smart Classroom Equipment	-	13,930
Computer Technology Certificate	-	6,450
	$ 4,132,300	$ 3,951,678

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized in future periods. Changes in the unamortized deferred capital contributions balances are as follows:

	2002	2001
Balance at the beginning of year	$ 19,754,059	$ 20,505,093
Add: purchase of capital assets (Note 9)	978,452	501,751
Add: repayment of capital leases (Note 9)	-	49,116
Less: amount amortized to revenue	(1,336,304)	(1,301,901)
	$ 19,396,207	$ 19,754,059

Note 11 Pension Expense

The pension expense recorded in these financial statements is equivalent to the College's annual contribution payable of $691,261 for the year ended June 30, 2002 (2001 - $587,178).

At December 31, 2001, the Public Service Pension Plan reported a surplus of $320,487,000 (2001 - $635,084,000) and the Management Employees Pension Plan reported a surplus of $5,338,000 (2001 - $170,858,000).

Note 12 Lease Obligation

	2002	2001
Capital lease obligations	$ 288,305	$ 5,031
Less: current portion	63,443	5,031
	$ 224,862	$ -

The minimum annual payments under capital lease obligations are as follows:

2002-2003	$ 88,652
2003-2004	88,461
2004-2005	88,461
2005-2006	88,461
Total minimum lease payments	354,035
Less: imputed interest (average rate 9 %)	65,730
Capital lease obligations	$ 288,305

During the year, interest on capital lease obligations amounting to $14,330 (2001 - $8,694) has been charged to expense.

Note 13 Commitments

(a) Lease Commitments

Future minimum annual lease payments under operating leases are:

Fiscal year	
2003	$ 1,257,295
2004	$ 580,734
2005	$ 126,811
2006	$ 44,234
2007	$ 44,234

The most significant item is the lease for Rocky Mountain Plaza which will cost $997,962 in the year 2003 and $415,817 in the year 2004. The lease expires on November 30, 2003.

(b) Utility Commitment

In order to manage its exposure to the volatility in the electrical industry, the Board of Governors has entered into a five year contract, beginning January 1, 2001, to fix its electrical cost at an average of 8.42 cents a kilowatt hour. Based on 2002 consumption, the annual costs for the year ending June 30, 2003 are expected to be $468,000.

Note 14 Internally Restricted Net Assets

The Board of Governors has designated funds for specific purposes. These are for:

	2002	2001
Facilities improvement	$ 1,900,000	$ 1,900,000
Development projects	600,000	600,000
Fund development	227,845	227,845
Institutional development	97,083	97,083
	$ 2,824,928	$ 2,824,928

Note 15 Grants and Provincial Government Contributions

	2002	2001
Revenue:		
General operating grant	$ 13,154,786	$ 10,890,375
Conditional funding, provincial	1,641,167	2,061,623
	$ 14,795,953	$ 12,951,998

Note 16 Contract Programs

Contract revenue consists of:

	2002	2001
Federal and other governments	$ 4,978,358	$ 3,914,399
Other agencies and private sector	1,593,941	1,394,178
	$ 6,572,299	$ 5,308,577

Note 17 Compensation and Benefits

	2002	2001
Excluding ancillary services		
Salaries, wages, benefits, staff development	$ 18,528,994	$ 15,729,006
Vacation pay and benefits	147,035	162,869
Separation payments	13,940	88,986
	$ 18,689,969	$ 15,980,861

Note 18 Supplies and Services

	2002	2001
Excluding ancillary services		
Property lease, utilities and contracts	$ 1,809,807	$ 1,705,774
Professional contracted services	1,806,959	1,728,248
Repairs and maintenance	961,081	1,053,654
Advertising	853,418	562,131
Telecommunications and rentals	212,349	227,174
Travel	256,072	218,468
Other supplies and services	2,135,625	1,754,975
	$ 8,035,311	$ 7,250,424

Note 19 Related Parties

The College is a Provincial Corporation. The members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning.

(a) Transactions between the College and the Province are disclosed in the Statement of Operations and the Statement of Financial Position as follows:

2002

	Revenue	Deferred Contributions and UDCC	Unearned Revenue	Accounts Receivable	Accounts Payable
General operating grant	$ 13,154,786	$ -	$ -	$ -	$ -
Conditional funding	1,641,167	1,662,835	-	92,294	-
	14,795,953	1,662,835	-	92,294	-
Contract programs	2,509,241	-	133,739	481,987	53,399
	$ 17,305,194	$ 1,662,835	$ 133,739	$ 574,281	$ 53,399

2001

	Revenue	Deferred Contributions and UDCC	Unearned Revenue	Accounts Receivable	Accounts Payable
General operating grant	$ 10,890,375	$ -	$ -	$ -	$ -
Conditional funding	2,061,623	3,592,207	-	251,955	84,441
	12,951,998	3,592,207	-	251,955	84,441
Contract programs	1,664,200	-	65,000	454,530	22,000
	$ 14,616,198	$ 3,592,207	$ 65,000	$ 706,485	$ 106,441

During the year, Bow Valley College had business transactions with other public colleges, technical institutes and universities in Alberta. These transactions were at market prices on normal terms of purchase and sale.

(b) Joint Venture

On December 18, 1998, the Lieutenant Governor in Council approved the incorporation of a corporation, to be owned equally by Bow Valley College, Northern Lakes College, Norquest College and Portage College. On February 10, 1999, 818196 Alberta Limited was incorporated pursuant to the Alberta Business Corporations Act.

The corporation was created for the purpose of holding the jointly developed intellectual property transferred from her Majesty the Queen in the Right of the Province of Alberta as represented by the Minister of Learning. The fair value of the intellectual property transferred cannot be reasonably determined. At June 30, 2002, the corporation was not active.

Note 20 Salaries and Benefits

The salary and benefit disclosure is provided pursuant to Treasury Board Directive 12/98 and includes only the salaries and benefits of those individuals in the senior decision making group of the College.

	2002			2001
	Salary (1)	Benefits and Allowances (2)	Total	Total
Board of Governors (3)	$ 6,626	$ -	$ 6,626	$ 6,959
President and Chief Executive Officer	125,000	19,941	144,941	135,460
Vice President, Learning Services (4)	132,069	18,210	150,279	115,110
Vice President, College Services (5)	101,000	16,507	117,507	108,812
Vice President, External Relations (6)	101,569	12,047	113,616	-
Director, Development and Partnerships (7)	63,750	13,979	77,729	68,349
Executive Director - Workplace Learning (6)	-	-	-	93,567
	$ 530,014	$ 80,684	$ 610,698	$ 528,257

(1) Salary includes regular base pay, bonuses, overtime, vacation pay-outs, lump sum payments and honoraria.

(2) The College's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, vehicle allowances, Employment Insurance, Workers' Compensation, parking, professional memberships, and tuition.

(3) The College has eleven board members. The majority of the Board members gifted their honoraria to the College. The total amount donated was $5,942.

(4) The position of Vice President, Learning Services was occupied by two incumbents during the year July to December and January to June (continuing).

(5) This position was renamed from Vice President, Development and Corporate Services September 2001.

(6) This position was formerly Executive Director, Workplace Learning. The change to Vice President, External Relations was effective July 2001.

(7) The incumbent was appointed to the position on October 1, 2001.

Note 21 Budget

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Alberta Learning for his approval. The 2001-2002 College Budget was approved by the Board of Governors on May 10, 2001.

Revenue	
General operating grant	$ 12,787,507
Conditional grants	2,748,660
Tuition fees	6,730,394
Contract revenue	6,350,289
Ancillary services	680,750
Donations and contributions	217,250
Investment income	328,224
Amortization of deferred capital contributions	1,418,839
	$ 31,261,913
Expense	
Compensation and benefits	$ 19,482,171
Supplies and services	8,589,450
Ancillary services	688,906
Scholarships and bursaries	190,250
Amortization of capital assets	1,881,435
	$ 30,832,212
Excess of revenue over expense	$ 429,701

Note 22 Changes in Non-Cash Working Capital

	2002	2001
(Increase) decrease in Accounts receivable	$ (116,344)	$ 229,653
(Increase) decrease in Due from the Ministry of Alberta Learning	(50,809)	248,359
(Increase) decrease in Inventories	(121,721)	(240,263)
(Increase) decrease in Prepaid expenses	(43,472)	58,224
(Decrease) increase in Accrued vacation pay	6,446	31,514
(Decrease) increase in Accounts payable and accrued liabilities	800,977	(555,656)
(Decrease) increase in Unearned revenue	648,153	384,961
(Decrease) increase in Deferred contributions	637,050	(472,239)
	$ 1,760,280	$ (315,447)

Note 23 Net Assets Invested in Capital Assets

	2002	2001
Capital Assets	$ 23,394,376	$ 22,644,845
Financed by long-term debt	(288,305)	(5,031)
Unamortized deferred contributions related to capital assets	(19,396,207)	(19,754,059)
	$ 3,709,864	$ 2,885,755

Note 24 Comparative Figures

Certain comparative figures have been reclassified to conform with the current year presentation.

Note 25 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

FAIRVIEW COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Fairview College

I have audited the consolidated statement of financial position of Fairview College as at June 30, 2002 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
October 17, 2002

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2002

	2002	2001
ASSETS		
Current		
Cash (Note 3)	$ 1,613,513	$ 1,313,850
Accounts receivable	1,148,212	823,858
Inventories (Note 4)	404,064	525,110
Prepaid expenses	48,886	172,619
	3,214,675	2,835,437
Investments (Note 5)	11,153,747	10,896,455
Capital assets (Note 6)	19,591,617	18,806,004
	$ 33,960,039	$ 32,537,896
LIABILITIES AND NET ASSETS		
Current		
Accounts payable	$ 976,090	$ 769,149
Accrued vacation pay	810,238	786,499
Unearned revenue	138,083	127,285
Deferred contributions (Note 7)	1,201,670	736,857
	3,126,081	2,419,790
Non-current		
Supplementary retirement plans (Note 8)	491,262	621,502
Deferred contributions for capital purposes (Note 9)	1,266,657	1,199,562
Unamortized deferred capital contributions (Note 10)	12,141,873	12,384,524
	13,899,792	14,205,588
Net assets		
Endowments	2,015,322	1,888,145
Investment in capital assets	7,449,744	6,421,480
Net assets internally restricted (Note 11)	7,004,929	7,138,722
Unrestricted net assets	464,171	464,171
	16,934,166	15,912,518
	$ 33,960,039	$ 32,537,896

The accompanying notes are part of these consolidated financial statements.

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2002

	2002		2001
	Budget (Note 13)	Actual	Actual
Revenue			
Grants (Note 14)	$ 11,924,907	$ 13,042,506	$ 12,888,317
Tuition and related fees	1,954,904	2,011,361	1,821,235
Sales, rentals and services	2,108,870	2,108,071	1,891,287
Educational contracts	153,000	729,795	591,906
Investments (Note 15)	329,000	578,990	520,466
Donations	80,933	109,023	86,546
	16,551,614	18,579,746	17,799,757
Amortization of deferred capital contributions (Note 10)	1,350,000	1,369,940	1,339,454
	17,901,614	19,949,686	19,139,211
Expense			
Salaries and benefits (Note 16)	9,983,254	10,415,766	9,710,636
Supplies and services	5,093,456	4,797,457	4,768,458
Cost of goods sold	200,000	620,465	469,790
Utilities	800,621	916,174	860,516
Scholarships and bursaries	83,500	132,598	74,645
Amortization of capital assets	2,000,000	2,013,775	1,945,774
Severances	-	158,980	96,475
	18,160,831	19,055,215	17,926,294
Excess of revenue over expense	$ (259,217)	$ 894,471	$ 1,212,917

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2002

	2002					2001
	Endowments	Investments in Capital Assets	Net Assets Internally Restricted	Unrestricted Net Assets	Total	Total
Excess of revenue over expense	$ -	$ -	$ -	$ 894,471	$ 894,471	$ 1,212,917
External endowment contributions	127,177	-	-	-	127,177	147,881
Transfers						
Acquisition of internally funded capital assets	-	1,680,579	-	(1,680,579)	-	-
Disposal of internally funded capital assets	-	(3,851)	-	3,851	-	-
Amortization of internally funded capital assets	-	(648,464)	-	648,464	-	-
Board appropriations/transfers		-	(133,793)	133,793	-	-
Other	-	-	-	-	-	17,077
Increase in net assets	127,177	1,028,264	(133,793)	-	1,021,648	1,377,875
Net assets at beginning of year	1,888,145	6,421,480	7,138,722	464,171	15,912,518	14,534,643
Net assets at end of year	$ 2,015,322	$ 7,449,744	$ 7,004,929	$ 464,171	$ 16,934,166	$ 15,912,518

FAIRVIEW COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2002

	2002	2001
Operating activities		
Excess of revenue over expense	$ 894,471	$ 1,212,917
Add (deduct) non-cash transactions		
Amortization of capital assets	2,013,775	1,945,774
Change in supplementary retirement plans	(130,240)	75,562
(Gain) Loss on disposal of capital assets	(24,420)	7,037
Amortization of deferred capital contributions	(1,369,940)	(1,339,454)
Other	-	1,214
	1,383,646	1,903,050
Changes in non-cash working capital (Note 18)	626,716	(571,802)
Cash generated from operating activities	2,010,362	1,331,248
Investing activities		
Acquisition of capital assets	(2,807,868)	(1,544,392)
Proceeds on disposal of capital assets	32,900	161,039
Purchase of investments (net)	(257,292)	(153,879)
Cash applied to investing activities	(3,032,260)	(1,537,232)
Financing activities		
Capital contributions (Note 9)	1,194,384	403,477
Endowment contributions	127,177	163,744
Cash generated from financing activities	1,321,561	567,221
Increase in cash	299,663	361,237
Cash at beginning of year	1,313,850	952,613
Cash at end of year	$ 1,613,513	$ 1,313,850

FAIRVIEW COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2002

Note 1 Authority and Purpose

Fairview College (the "College") operates under the authority of the Colleges Act, Chapter C-19, Revised Statutes of Alberta 2000. The College is a registered charity and is exempt from the payment of income taxes.

The College, a board governed multi-campus regional college, serves primarily northwestern Alberta with programs leading to careers in agriculture, business administration, trades and related fields.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These consolidated financial statements include the accounts of the Fairview College Foundation (the "Foundation") which operates under the Societies Act of Alberta. The Foundation raises funds for the use of the College and is a registered charitable organization for income tax purposes.

(b) Revenue Recognition

Unrestricted contributions are recognized as revenue when they are received.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period the related expenses are incurred.

Externally restricted capital contributions are recorded as deferred contributions until the related capital asset is acquired. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired and are recognized as revenue in the periods the related capital assets are amortized. Contributions for capital assets that will not be amortized, such as land, are recorded as direct increases in net assets in the period the asset is required.

Externally restricted endowment contributions are recorded as direct increases in net assets.

Government grants are accounted for as unrestricted or externally restricted contributions in accordance with the terms of the funding.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Amounts received for tuition and related fees, sales, rentals and services, and educational contracts are recorded as unearned revenue and recognized as revenue in the period the goods are delivered or the services are provided.

(c) Endowments

Endowments represent restricted donations and amounts designated as endowments by the Board of Governors. Principal is to be held intact. Interest earned on endowments must be used in accordance with the conditions imposed by the donors' terms of reference or by Board policy.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Net Assets Internally Restricted

Net assets internally restricted are amounts set aside by the College Board of Governors to be used for designated purposes.

(e) Investments

Investments are recorded at cost. Gains and losses on investments are recognized in the period of disposal or when there is permanent impairment in the value of an investment.

(f) Capital Assets

Capital assets acquisitions are recorded at cost, except that certain capital assets transferred by the Province to the College were recorded at fair value as at June 1983 and June 1986, as determined by independent appraisals. Donated capital assets are recorded at fair value when a fair value can be reasonably determined.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Building and site improvements	10 to 40 years
Heavy equipment	25 years
Furnishings and other equipment	10 years
Vehicles and computer equipment	5 years

(g) Inventories

Inventories for resale are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

(h) Pensions

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College

Note 3 Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund in the amount of $2,042,367 and overdrafts in miscellaneous bank accounts of $428,854 (2001 $1,431,297 and overdrafts of $117,447). The Fund is managed to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Note 4 Inventories

	2002	2001
Livestock	$ 213,894	$ 212,620
Bookstore	130,944	151,936
Farm	12,623	45,634
Resale trades	8,905	2,466
Others	37,698	112,454
	$ 404,064	$ 525,110

Note 5 Investments

	2002			2001	
	Effective Yield	Cost	Market Value	Cost	Market Value
Short-term					
Guaranteed investment certificates	3.15%	$ 1,424,120	$ 1,424,119	$ 2,832,661	$ 2,832,661
Fixed income	7.46%	357,194	412,926	377,509	390,820
		1,781,314	1,837,045	3,210,170	3,223,481
Long-term					
Wood Gundy - fixed income	5.50%	4,653,411	5,321,343	4,452,988	4,819,680
Guaranteed investment certificate	3.99%	1,475,481	1,475,481	-	-
Equity linked note - principal guaranteed		3,228,580	2,353,505	3,228,580	2,482,455
Cash held by investment manager		14,961	14,961	4,717	4,717
		9,372,433	9,165,290	7,686,285	7,306,852
		$ 11,153,747	$ 11,002,335	$ 10,896,455	$ 10,530,333

Within the investment portfolio, there are securities at costs which are in excess of market value. These securities have not been written down because management has concluded, based on careful review of market information for these securities, that the decline is temporary.

Effective yield represents the rate that discounts future cash receipts to the carrying value of the investments at June 30, 2002.

The College's investment objective is to enhance the value of pooled funds while maintaining a low level of risk and providing a dependable source of income to support College operations and objectives. The investment guidelines and procedures restrict the type and amount of investments that may be purchased or held.

Note 6 Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and improvements	$ 1,601,200	$ -	$ 1,601,200	$ 1,016,200
Buildings and site improvements	53,952,366	37,968,712	15,983,654	15,916,314
Equipment, furnishings and vehicles	10,464,114	8,457,351	2,006,763	1,873,490
	$ 66,017,680	$ 46,426,063	$ 19,591,617	$ 18,806,004

Purchase Option

As part of the transfer of certain capital assets to the College by the Province in 1978 the Province retained an option to repurchase all or any part of the transferred land and buildings for the nominal amount of $1 per purchase. The recorded net book value of the capital asset transferred to the College is $2,310,251 (2001 $2,457,901).

Buildings and Site Improvements

In 1994, the College entered into an agreement with a third party that gives the College the right to use a portion of a certain building in perpetuity. In consideration, the College paid $300,000 which comprises a portion of the construction costs and agreed to pay an amount of $1 annually. This building is included in buildings and site improvements at a net book value of $224,281 (2001 $233,782).

Note 7 Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for non-capital purposes.

	2002	2001
Contributions during the year	$ 2,089,666	$ 1,649,391
Transferred to revenue	(1,624,853)	(1,682,481)
Increase (decrease) during the year	464,813	(33,090)
Balance at beginning of year	736,857	769,947
Balance at end of year	$ 1,201,670	$ 736,857
The balance consists of funds restricted for		
Scholarships and bursaries	$ 593,690	$ 495,797
Other conditional programs	607,980	241,060
	$ 1,201,670	$ 736,857

Note 8 Supplementary Retirement Plans

	2002	2001
Supplementary superannuation plan	$ 396,881	$ 564,473
Supplementary retirement plan	94,381	$ 57,029
	$ 491,262	$ 621,502

Note 9 Deferred Contributions for Capital Purposes

Deferred contributions for capital purposes represent unspent capital funds for equipment.

	2002	2001
Contributions during the year		
Grants	$ 1,135,152	$ 370,261
Gifts-in-kind donations	59,232	33,216
	1,194,384	403,477
Transferred to unamortized deferred capital contributions (Note 10)	(1,127,289)	(592,076)
Increase (decrease) during the year	67,095	(188,599)
Balance at beginning of year	1,199,562	1,388,161
Balance at end of year	$ 1,266,657	$ 1,199,562

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent externally restricted capital contributions which have been invested in amortizable capital assets. Changes in the unamortized deferred capital contributions balance are as follows:

	2002	2001
Balance at beginning of year	$12,384,524	$13,131,902
Add amount transferred from deferred contributions (Note 9)	1,127,289	592,076
Less amount amortized to revenue	(1,369,940)	(1,339,454)
Balance at end of year	$12,141,873	$12,384,524

Note 11 Net Assets Internally Restricted

Net assets restricted by the Board are held for the following purposes:

	2002	2001
Capital renovations and acquisitions	$ 2,593,155	$ 2,528,261
Enrolment and other initiatives	3,310,111	3,511,214
Ancillary operations	1,076,818	1,077,151
Scholarship and program specific	24,845	22,096
	$ 7,004,929	$ 7,138,722

These amounts are not available for other purposes without the approval of the Board of Governors.

Note 12 Commitments

There is a commitment for $100,000 for a capital contribution to the Fairview and District Aquatic Centre in 2002-03. Also, there is a commitment for $25,000 towards annual operating costs of the Centre.

Future minimum annual lease payments under operating leases for the Marine facility in St. Albert are:

2002-03	$ 49,000
2003-04	45,000

Note 13 Budget

On May 17, 2001, the Board of Governors approved the 2001-02 budget shown in the Consolidated Statement of Operations.

Note 14 Related Party

The College is a Provincial Corporation as all members of the Board of Governors are appointed by combination of Order by the Lieutenant Governor in Council and the Minister of Learning. Grants revenue transactions in the current period and balances at year-end between the College and the Province were as follows:

	2002	
	Grants Revenue	Transferred to Unamortized Deferred Capital Contributions
Alberta Learning		
Regular operating	$ 11,433,824	$ -
General cost pressure	345,624	-
Access	348,488	74,195
Faculty & staff recruitment & retention	259,089	-
Infrastructure renewal	83,574	788,222
Apprenticeship	158,100	-
Energy related support	(100,081)	-
Learning enhancement	23,173	74,518
Conditional	84,724	71,331
Miscellaneous	381,866	7,901
	13,018,381	1,016,167
Alberta Infrastructure		
Infrastructure renewal	24,125	51,890
	$ 13,042,506	$ 1,068,057

	2001	
	Grants Revenue	Transferred to Unamortized Deferred Capital Contributions
Alberta Learning		
Regular operating	$ 11,042,479	$ -
Performance funding	391,345	-
Access	308,363	23,466
Infrastructure renewal	281,626	440,385
Energy related support	244,184	-
Learning enhancement	31,396	-
Conditional	23,810	45,336
Miscellaneous	475,472	4,482
	12,798,675	513,669
Alberta Infrastructure		
Infrastructure renewal	89,642	45,192
	$ 12,888,317	$ 558,861

In addition to the above transactions, $1,130,797 (2001 $1,187,987) from Alberta Learning and $743,839 (2001 $252,635) from Alberta Infrastructure is included in Deferred Contributions.

Note 15 Investments Revenue

	2002	2001
Investments earnings		
Unrestricted	$ 251,735	$ 293,335
Internally restricted	166,351	157,552
Endowments	98,553	107,790
Total investments earnings	516,639	558,677
Transfer from (to) deferred contributions	62,351	(38,211)
Investments earnings recognized as revenue	$ 578,990	$ 520,466

Note 16 Salaries and Benefits

	2002			2001
	Salaries[1]	Benefits and Allowances[2]	Total	Total
Board Members				
Chair	$ 4,874	$ 188	$ 5,062	$ 2,939
Other	17,337	846	18,183	17,958
President[3]	112,009	32,223	144,232	148,736
Vice Presidents				
Academic[4]	37,163	6,086	43,249	41,802
Student and College Services	91,740	14,875	106,615	97,512
Deans/Directors				
Dean, Trades Technologies	77,091	9,346	86,437	85,721
Dean, Agricultural Technologies[5]	71,462	9,113	80,575	65,271
Dean, Business/Academic Studies[6]	63,782	8,794	72,576	52,666
Director, Physical Plant	70,999	9,215	80,214	75,016
Director, Development - Foundation	69,800	8,310	78,110	76,648
Director, College & Community Relations	63,329	7,767	71,096	67,011
Director, Resources Industry Training[7]	32,920	5,045	37,965	-
Director, St. Albert Campus[8]	32,113	5,260	37,373	-

(1) Salaries include regular pay, retroactive pay and board honoraria.

(2) Benefits and allowances represent the College's share of employee benefits including Canada Pension Plan, Employment Insurance, pensions, life insurance, health care, dental coverage, extended health and taxable benefits including certain professional development expenses.

(3) The position of President in 2000-01 had a vacation payment of $44,674.

(4) The position of Vice President, Academic was occupied for five months in 2001-02. In 2000-01 it was occupied for six months.

(5) The position of Dean, Agricultural Technologies was occupied for eleven months during 2000-01.

(6) The position of Dean, Business/Academic Studies was occupied for six months during 2000-01.

(7) New position occupied for five months.

(8) New position occupied for six months.

Note 17 Pension Costs

The pension expense recorded in these financial statements is the College's annual contributions to the Local Authorities Pension Plan of $364,717 for the year ended June 30, 2002 (2001 $358,603).

At December 31, 2001, the Plan reported a surplus of $635 million (2000 $884 million).

Note 18 Changes in Non-Cash Working Capital

	2002	2001
Accounts receivable	$ (324,354)	$ (341,539)
Inventories	121,046	(62,604)
Prepaid expenses	123,733	(111,963)
Accounts payable	206,941	(9,750)
Accrued vacation pay	23,739	24,155
Unearned revenue	10,798	(37,011)
Deferred contributions	464,813	(33,090)
	$ 626,716	$ (571,802)

Note 19 Approval of Financial Statements

These consolidated financial statements were approved by the Board of Governors.

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2002

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of
Grande Prairie Regional College

I have audited the consolidated statement of financial position of Grande Prairie Regional College as at June 30, 2002 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
October 24, 2002

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2002

	2002	2001
ASSETS		
Current		
Cash	$ 1,199,369	$ 744,210
Accounts receivable	1,072,545	940,840
Inventories (Note 3)	274,862	243,574
Prepaid expenses	47,829	7,373
	2,594,605	1,935,997
Long-term investments (Note 4)	6,047,545	6,058,309
Capital assets (Note 5)	35,637,778	35,552,905
	$ 44,279,928	$ 43,547,211
LIABILITIES AND NET ASSETS		
Current		
Accounts payable	$ 1,185,354	$ 1,169,131
Accrued vacation pay	1,188,173	1,151,811
Unearned revenue (Note 6)	116,575	87,031
Four-for-five Leave Plan (Note 7)	308,558	131,261
Deferred contributions (Note 8)	421,771	445,585
Obligation under capital lease (Note 9)	90,313	79,728
Long-term debt (Note 10)	16,000	-
	3,326,744	3,064,547
Non-current		
Obligation under capital lease (Note 9)	462,872	553,185
Long-term debt (Note 10)	384,000	-
Deferred contributions for capital purposes (Note 8)	1,328,802	249,920
Unamortized deferred capital contributions (Note 11)	31,485,165	32,720,778
	33,660,839	33,523,883
Net assets		
Endowments (Note 12)	2,711,535	2,544,579
Investment in capital assets	3,199,428	2,199,214
Internally restricted net assets (Note 13)	1,381,382	1,617,755
Unrestricted net assets	-	597,233
	7,292,345	6,958,781
	$ 44,279,928	$ 43,547,211

The accompanying notes are part of these consolidated financial statements.

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2002

	2002		2001
	Budget (Note 15)	Actual	Actual
Revenue			
Grants (Note 16)	$ 15,192,477	$ 15,741,645	$ 14,625,406
Tuition and related fees	5,417,223	5,691,583	5,445,143
Sales, rentals and services (Note 17)	2,067,338	2,406,496	2,178,775
Contract programs	1,311,115	1,074,784	1,228,456
Fund raising and donations	906,000	668,618	756,569
Investments	342,000	355,007	407,730
Gain on disposal of capital assets	-	-	1,478
	25,236,153	25,938,133	24,643,557
Amortization of deferred capital contributions (Note 11)	1,660,000	1,597,661	1,553,974
	26,896,153	27,535,794	26,197,531
Expense (Note 18)			
Salaries and benefits (Note 19)	17,167,508	17,959,970	16,626,812
Supplies and services	5,375,814	5,689,942	5,466,563
Amortization of capital assets	2,235,000	2,130,128	2,083,362
Utilities	939,132	705,635	588,763
Cost of goods sold	710,699	743,297	747,764
Scholarships and bursaries	218,000	284,510	228,496
Loss on disposal of capital assets	-	4,744	-
	26,646,153	27,518,226	25,741,760
Excess of revenue over expense	$ 250,000	$ 17,568	$ 455,771

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2002

	2002					2001
	Endowments	Investment in Capital Assets	Internally Restricted Net Assets	Unrestricted Net Assets	Total	Total
Excess of revenue over expense	$ -	$ -	$ -	$ 17,568	$ 17,568	$ 455,771
External endowment contributions	165,996	-	-	-	165,996	186,969
Property donated	-	150,000	-	-	150,000	-
Transfers						
Acquisition of internally funded capital assets	-	1,434,938	-	(1,434,938)	-	-
Payment of capital lease principal	-	79,728	-	(79,728)	-	-
Net book value of disposal of capital assets	-	(131,985)	-	131,985	-	-
Amortization of internally funded capital assets	-	(532,467)	-	532,467	-	-
Internal endowments	960	-	-	(960)	-	-
Internal restrictions	-	-	(236,373)	236,373	-	-
Increase (decrease) in net assets	166,956	1,000,214	(236,373)	(597,233)	333,564	642,740
Net assets at beginning of year	2,544,579	2,199,214	1,617,755	597,233	6,958,781	6,316,041
Net assets at end of year	$ 2,711,535	$ 3,199,428	$ 1,381,382	$ -	$ 7,292,345	$ 6,958,781

GRANDE PRAIRIE REGIONAL COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2002

	2002	2001
Operating activities		
Excess of revenue over expense	$ 17,568	$ 455,771
Add (deduct) non-cash transactions		
Amortization of capital assets	2,130,128	2,083,362
Loss (gain) on disposal of capital assets	4,744	(1,478)
Amortization of deferred capital contributions	(1,597,661)	(1,553,974)
Amortization of investment discount	(163,331)	(13,381)
	391,448	970,300
Changes in non-cash working capital (Note 22)	32,163	420,692
Cash generated from operating activities	423,611	1,390,992
Investing activities		
Proceeds on disposal of capital assets	127,241	17,735
Acquisition of capital assets	(2,346,986)	(1,762,273)
Purchase of investments	(7,689,520)	(11,836,952)
Disposal of investments	7,863,615	11,532,480
Cash applied to investing activities	(2,045,650)	(2,049,010)
Financing activities		
Proceeds of capital loan	400,000	-
Payment of capital lease principal	(79,728)	(70,061)
Endowment contributions	165,996	186,969
Property donated	150,000	-
Capital contributions (Note 8)	1,440,930	811,835
Cash generated from financing activities	2,077,198	928,743
Increase in cash	455,159	270,725
Cash at beginning of year	744,210	473,485
Cash at end of year	$ 1,199,369	$ 744,210

GRANDE PRAIRIE REGIONAL COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2002

Note 1 Authority and Purpose

Grande Prairie Regional College (the "College") operates under the authority of the Colleges Act, Chapter C-19, Revised Statutes of Alberta 2000. The College is a registered charity and is exempt from the payment of income taxes under the Income Tax Act (Canada).

The College's purpose is to provide students with university transfer, on-campus degree completion, career training, post-secondary preparatory and continuing education programs that contribute to the economic and social well-being of the region.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These consolidated financial statements include the accounts of the Grande Prairie Regional College Foundation (the "Foundation"), which operates under the Alberta Companies Act and is a registered charitable organization for income tax purposes. The Foundation's activities are directed to the support and advancement of the College.

(b) Revenue Recognition

Unrestricted contributions are recognized as revenue when they are received.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period the related expenses are incurred.

Externally restricted capital contributions are deferred until the related capital asset is acquired. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired and are recognized as revenue in the periods the related capital assets are amortized. Contributions for capital assets that will not be amortized, such as land, are recorded as direct increases in net assets in the period the asset is acquired.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Externally restricted endowment contributions are recorded as direct increases in net assets.

Government grants are accounted for as unrestricted or externally restricted contributions in accordance with the terms of funding.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Amounts received for tuition and related fees, sales, rentals and services and contract programs are recorded as unearned revenue and recognized as revenue in the period the goods are delivered or the services are provided.

(c) Endowments

Endowments represent restricted donations and amounts designated as endowments by the Board of Directors of the Foundation. Principal is to be held intact. Interest earned on endowments must be used in accordance with the conditions imposed by the donors' terms of reference or by Board policy.

(d) Internally Restricted Net Assets

Internally restricted net assets are amounts set aside by the College Board of Governors to be used for designated purposes.

(e) Long-term Investments

Investments are recorded at cost. Gains and losses on investments are recognized in the period of disposal or when there is a permanent impairment in the value of the investment.

(f) Capital Assets

Capital asset acquisitions are recorded at cost, except donated assets which are recorded at fair value when a fair value can be reasonably determined.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(f) Capital Assets (continued)

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	25 to 40 years
Site improvements	25 years
Furnishings and equipment	5 to 15 years
Vehicles	5 years
Library materials	10 years
Leasehold improvements	5 years

(g) Art Collection

The College holds a collection of approximately 2,600 works of donated art, consisting of sketches, limited edition prints, photographs, and some original paintings. The collection is held by the College for educational use and for public exhibition. The Board of Governors passed a resolution requiring the art to be cared for and preserved.

Collection artworks are not recognized as assets in the Consolidated Statement of Financial Position. Any proceeds from their sale or disposal may be used only to acquire other art for the collection or to care for the existing collection. Purchased art added to the collection will be expensed in the year of acquisition. To date, no artwork has been purchased for this collection.

(h) Inventories

Inventories for resale are valued at the lower of cost and estimated net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

(i) Pensions

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

Note 3 Inventories

	2002	2001
Bookstore	$ 248,546	$ 228,155
Duplicating Services	17,805	7,047
Financial Services	5,650	4,114
Climbing Gym	2,861	4,258
	$ 274,862	$ 243,574

Note 4 Long-term Investments

	2002		2001	
	Book Value	Market Value	Book Value	Market Value
Bonds and bank notes				
Government of Canada bonds	$ 1,100,000	$ 1,135,264	$ 1,286,942	$ 1,282,507
Provincial bonds	2,947,958	2,963,536	2,192,828	2,148,808
Canadian bank notes	808,610	812,025	1,751,063	1,784,260
Corporate bonds	521,302	481,021	223,625	216,484
	5,377,870	5,391,846	5,454,458	5,432,059
Equities	669,675	613,233	603,851	573,728
	$ 6,047,545	$ 6,005,079	$ 6,058,309	$ 6,005,787

Note 4 Long-term Investments (continued)

Bonds and bank notes by range of maturity date are as follows:

	2002		
	Book Value	Market Value	Effective Yield to Maturity
Maturity 1 - 5 years	$ 3,202,635	$ 3,275,945	5.0%
Maturity 6 - 10 years	1,395,861	1,392,509	5.8%
Maturity 11- 15 years	779,374	723,392	6.0%
	$ 5,377,870	$ 5,391,846	5.4%

The market value may fluctuate with changes in current interest rates. Market values may decrease if interest rates increase and market values may increase if interest rates decrease.

Term to maturity is based upon the contractual maturity of the security. Effective yield represents the rate that discounts future cash receipts to the carrying value of the investments at June 30, 2002.

Where fair value is less than cost, in management's best judgment, and based on market trends, the fair value will likely recover over time.

Note 5 Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 713,631	$ -	$ 713,631	$ 563,631
Buildings	49,134,950	17,317,639	31,817,311	31,655,607
Site improvements	1,279,036	1,117,181	161,855	191,311
Furnishings, equipment and vehicles	10,893,590	8,675,514	2,218,076	2,434,001
Library materials	1,491,595	768,782	722,813	700,170
Leasehold improvements	20,462	16,370	4,092	8,185
	$ 63,533,264	$ 27,895,486	$ 35,637,778	$ 35,552,905

Note 6 Unearned Revenue

	2002	2001
Tuition and other student fees	$ 116,575	$ 83,991
Other	-	3,040
	$ 116,575	$ 87,031

Note 7 Four-for-five Leave Plan

Employees of the College who are members of the Academic Staff Association or the Employees Association are eligible to apply for a four-for-five leave plan. Employees' contributions are held by the College until the leave period when they are paid to the employee as salary with a matching amount from the College. Employees' contributions are held by the College and recorded as a liability. The College matching amount and interest earned on the employees' contributions are also recorded as a liability until paid to the employee.

	2002	2001
Employees' contributions held by College	$ 156,368	$ 64,423
College matching contributions	147,148	64,423
Interest held on employees' contributions	5,042	2,415
	$ 308,558	$ 131,261

Note 8 Deferred Contributions

Deferred contributions represent unspent funds externally restricted. Changes in the deferred contributions balances for non-capital and for capital purposes are as follows:

Deferred contributions - conditional grants, donations, and other

	2002	2001
Contributions received during the year	$ 3,143,643	$ 3,244,729
Transferred to revenue	(3,001,461)	(3,257,623)
Transferred to endowments	(165,996)	(186,969)
Decrease during the year	(23,814)	(199,863)
Balance at beginning of year	445,585	645,448
Balance at end of year	$ 421,771	$ 445,585

Deferred contributions - capital purposes

	2002	2001
Contributions received during year	$ 1,440,930	$ 811,835
Transferred to unamortized deferred capital contributions (Note 11)	(362,048)	(1,122,832)
Increase (decrease) during the year	1,078,882	(310,997)
Balance at beginning of year	249,920	560,917
Balance at end of year	$ 1,328,802	$ 249,920

Note 9 Obligation Under Capital Lease

The following is a schedule of future minimum annual lease payments:

2003	$ 131,342
2004	135,282
2005	139,341
2006	143,521
2007	122,391
Total minimum lease payments	671,877
Less amount representing interest	118,692
Capital lease obligation	553,185
Less current portion	90,313
Non-current portion	$ 462,872

The capital lease obligation is at 7.1% and expires on May 4, 2007.

Note 10 Long-term Debt

	Principal Outstanding	
	2002	2001
Student residence - debenture [a]	$ 400,000	$ -
Less current portion	(16,000)	-
	$ 384,000	$ -

[a] On November 15, 2001, the College borrowed the sum of $400,000 from Alberta Municipal Financing Corporation as a construction loan to build a new student residence. The loan bears interest at 6% and matures November 15, 2026 with 25 annual payments of principal and interest beginning November 15, 2002.

The repayment of principal in the next five fiscal years is as follows:

2003	$ 16,000
2004	16,000
2005	16,000
2006	16,000
2007	16,000

The student residence loan is secured by a general security agreement over all proceeds derived directly or indirectly from the operations of the residence building named Resources Place.

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contribution balance are as follows:

	2002	2001
Balance at beginning of year	$ 32,720,778	$ 33,151,920
Add amount transferred from deferred contributions (Note 8)	362,048	1,122,832
Less amount amortized to revenue	(1,597,661)	(1,553,974)
Balance at end of year	$ 31,485,165	$ 32,720,778

Note 12 Endowments

Endowments are comprised of donations received by the organization and interest earnings that have been redirected to principal as requested by the donor of the original endowment. Externally restricted endowments are required to be maintained intact in accordance with the donor's wishes.

	Balance at Beginning of Year	Contributions and Transfers	Reinvested Earnings	Balance at End of Year
Externally Restricted				
Scholarships fund	$ 1,004,060	$ 163,667	$ 340	$ 1,168,067
S.J. Alward library fund	616,561	1,989	-	618,550
	1,620,621	165,656	340	1,786,617
Internally Restricted				
Scholarships fund	471,067	960	-	472,027
Athletic fund	300,902	-	-	300,902
Theatre fund	78,682	-	-	78,682
Foundation fund	73,307	-	-	73,307
	923,958	960	-	924,918
	$ 2,544,579	$ 166,616	$ 340	$ 2,711,535

The S.J. Alward library fund contains funds contributed by the Alward estate and the Province of Alberta matching grants for use in connection with the College Library. These funds were placed in the library endowment fund by the Grande Prairie Regional College Foundation Board of Directors, with the agreement of the Alward Estate.

Note 13 Internally Restricted Net Assets

The Management of the College with the approval of the Board of Governors has placed restrictions on the spending of a portion of the accumulated excess of revenue over expenditure for specific purposes as shown below.

The Management of the College may spend these internally restricted amounts for these purposes. They are not available for any other purposes without the approval of the Board.

	2002	2001
Capital		
Duplicating Services	$ 200,000	$ 200,000
Student residence	149,020	541,275
Physical activity centre	125,491	95,103
Other departments	76,946	106,887
	551,457	943,265
Non-capital		
College operating expenses	563,670	456,594
Foundation - internally restricted	266,255	217,896
	829,925	674,490
	$ 1,381,382	$ 1,617,755

Note 14 Commitments

Professional Leave

Effective August 15, 1998, the College has agreed under Article 12 of the collective agreement with the Academic Staff Association to provide a total of 48 months of paid professional leave to members of the Academic Staff Association each contract period (August 15 to August 14). Members of the Administrative Group may request approval for paid professional leave.

At June 30, 2002, the following commitments have been made under the above agreement, for which no provision has been made in the financial statements.

	2002	2001
Academic Staff		
July 1, 2002 to August 14, 2002	$ 22,594	$ 25,301
August 15, 2002 to August 14, 2003	222,532	217,587
	$ 245,126	$ 242,888

Residence Construction

Prior to June 30, 2002 the College entered into agreements for the construction of a residence building known as Resources Place. This project commenced prior to year-end and costs estimated at $509,000 will be incurred subsequent to the year-end.

Note 15 Budget

On March 27, 2001 the Board of Governors approved a revenue and expense budget for Grande Prairie Regional College for 2001-02. The budget approved provided an annual operating excess of revenue over expense of $250,000. On October 16, 2001 the Board of Directors of the Foundation approved a budget for 2001-02 with operating revenue equal to expense.

The two budgets have been consolidated and presented in the Consolidated Statement of Operations.

Note 16 Grants

	2002	2001
Department of Learning		
Base	$ 14,735,635	$ 13,365,932
Conditional	715,988	1,034,210
Province of Alberta, other	288,198	218,742
	15,739,821	14,618,884
Government of Canada	1,824	6,522
	$ 15,741,645	$ 14,625,406

Note 17 Sales, Rentals and Services

	2002		
	Revenue	Expense	Net
Parking	$ 125,206	$ 5,223	$ 119,983
Utility Rebate	107,960	-	107,960
Bookstore	1,004,935	916,895	88,040
Food Services and Vending	38,687	1,100	37,587
Fitness Centre	137,139	107,377	29,762
Climbing Gym	78,155	80,060	(1,905)
Research Unit	17,270	29,282	(12,012)
National Volleyball Event	40,686	55,674	(14,988)
Student Residence	489,432	523,675	(34,243)
Other	367,026	312	366,714
	$ 2,406,496	$ 1,719,598	$ 686,898

	2001		
	Revenue	Expense	Net
Parking	$ 123,974	$ 2,449	$ 121,525
Bookstore	983,930	906,226	77,704
Food Services and Vending	43,952	1,290	42,662
Fitness Centre	116,294	93,719	22,575
Climbing Gym	64,805	64,873	(68)
Research Unit	10,337	12,292	(1,955)
National Volleyball Event	39,706	71,172	(31,466)
Student Residence	365,371	396,026	(30,655)
Other	430,406	625	429,781
	$ 2,178,775	$ 1,548,672	$ 630,103

The National Volleyball Event received donations in 2001–02 and in 2000–01 that are reported as donations on the Consolidated Statement of Operations and are not included in the amounts listed for Sales, Rentals, and Services.

2001–02 Donations for National Volleyball Event	$20,245
2000–01 Donations for National Volleyball Event	$20,250

Note 18 Expense

Expense is summarized by function as follows:

	2002	2001
Direct instruction	$ 13,567,735	$ 12,800,738
Institutional support	6,329,156	5,763,171
Amortization of capital assets	2,130,128	2,083,362
Academic support	1,875,762	1,764,527
Ancillary services	1,719,598	1,548,672
Student services	1,606,593	1,552,794
Scholarships	284,510	228,496
Loss on disposal of capital assets	4,744	-
	$ 27,518,226	$ 25,741,760

Direct instruction encompasses all formal educational and instructional program elements. Institutional support includes all activities that provide College-wide support to other programs. Academic support includes all activities that directly support the educational and instructional elements such as academic, administration, library and audio-visual services. Student services include all activities or services to the student body of the College.

Note 19 Salaries and Benefits

	2002			2001
	Salaries(1)	Benefits and Allowances (2), (3)	Total	Total
Chairman of the Board(4)	$ 5,099	$ 88	$ 5,187	$ 7,601
Board Members(5)	32,868	230	33,098	33,650
President	114,600	13,280	127,880	117,227
Past President(6)	10,614	13,313	23,927	-
Vice Presidents				
Academic	85,860	15,346	101,206	109,384
College Services	101,304	13,274	114,578	106,045
College Services - acting	-	-	-	47,113
Executive Director				
Advancement	80,056	12,226	92,282	73,762
Directors				
Workforce Development	34,216	6,772	40,988	110,042
Communications Services and Technology	81,777	12,013	93,790	87,974
Human Resources	80,056	11,908	91,964	85,068
Financial Services	74,017	11,530	85,547	78,637
Campus Operations	80,056	11,921	91,977	45,633
Campus Operations - acting	-	-	-	36,958
Registrar	80,056	11,908	91,964	84,743

(1) Salaries include regular base pay, honoraria and all other direct cash remuneration.

(2) Benefits and allowances represent the College's share of employee benefits including Canada Pension Plan, Employment Insurance, pensions, health care, dental coverage, group life insurance, accidental death and dismemberment insurance.

(3) An automobile allowance is provided to the President, Vice-President – Academic and the Vice-President – College Services of the College and to the Executive Director – Advancement of the Foundation.

(4) The Chairman of the Board donated all remuneration (net of deductions) to the Grande Prairie Regional College Foundation in the amount of $2,508 (2001 $6,233).

(5) Three Board members donated a portion of their remuneration to the Grande Prairie Regional College Foundation in the amount of $4,276 (2001 – five Board members for $4,625).

(6) Benefits and allowances include vacation payments of $12,311.

Note 20 Pension Costs

The pension expense recorded in these financial statements is the College's annual contributions to the Local Authotities Pension Plan of $645,572 for the year ended June 30, 2002 (2001 $610,836).

At December 31, 2001 the Plan reported a surplus of $635 million (2000 $884 million).

Note 21 Related Party

Province of Alberta

The College is a Provincial Corporation as all members of the Board of Governors are appointed by combination of an Order by the Lieutenant Governor in Council and the Minister of Learning. Grants revenue transactions between the College and the Province are disclosed in the College consolidated financial statements as follows:

	2002		
	Revenue	Transferred to Unamortized Capital Contributions	Deferred Contributions
Operations	$ 14,086,321	$ -	$ -
Performance	568,483	-	-
Access	388,972	18,687	23,230
Infrastructure renewal	307,688	99,611	1,260,646
Unfunded enrolment	74,000	-	-
Learning enhancement	26,158	-	-
Site evaluation	-	-	20,000
Other	288,199	-	-
	$ 15,739,821	$ 118,298	$ 1,303,876

	2001		
	Revenue	Transferred to Unamortized Capital Contributions	Deferred Contributions
Operations	$ 13,365,932	$ -	$ -
Performance	374,474	-	-
Access	303,591	79,122	48,747
Infrastructure renewal	208,947	553,057	166,946
Unfunded enrolment	28,000	-	-
Learning enhancement	18,883	45,786	26,158
Energy grant	72,174	-	-
Knowledge Network	26,585	14,463	-
Other	220,298	-	-
	$ 14,618,884	$ 692,428	$ 241,851

Note 22 Changes in Non-cash Working Capital

	2002	2001
Accounts receivable	$ (131,705)	$ (23,397)
Inventories	(31,288)	(14,279)
Prepaid expenses	(40,456)	20,896
Accounts payable	16,223	506,033
Accrued vacation pay	36,362	97,310
Unearned revenue	29,544	(68,191)
Self-funded Leave Plan	-	(15,125)
Four-for-five Leave Plan	177,297	117,308
Deferred contributions	(23,814)	(199,863)
	$ 32,163	$ 420,692

Note 23 Subsequent Events

On July 15, 2002 the College borrowed $500,000 from Alberta Municipal Financing Corporation as a construction loan to expand student residences. The loan bears interest at 6.125% and matures July 15, 2027 with 25 annual payments of principal and interest beginning July 15, 2003.

Note 24 Comparative Figures

Certain 2001 figures have been reclassified to conform to 2002 presentation.

Note 25 Approval of Financial Statements

These consolidated financial statements were approved by the Board of Governors.

GRANT MacEWAN COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2002

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Revenue and Expense

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Grant MacEwan College

I have audited the consolidated statement of financial position of Grant MacEwan College as at June 30, 2002 and the consolidated statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Grant MacEwan College as at June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
November 6, 2002

GRANT MacEWAN COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2002

	2002	2001 (As restated - Note 17)
ASSETS		
Current:		
Cash and temporary investments	$ 16,596,911	$ 9,891,257
Accounts receivable	2,096,970	2,129,428
Inventories (Note 3)	1,082,099	1,231,330
Prepaid expenses	677,173	507,886
	20,453,153	13,759,901
Investments (Note 4)	28,382,194	28,682,341
Capital assets (Note 5)	143,445,654	140,040,172
	$ 192,281,001	$ 182,482,414
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 6,431,586	$ 4,047,316
Accrued vacation pay	4,187,111	3,386,378
Unearned revenue (Note 6)	2,758,729	2,935,032
Deferred contributions (Note 7)	4,808,275	4,194,806
Current portion of long term debt	127,121	119,643
	18,312,822	14,683,175
Deferred capital contributions (Note 7)	3,131,026	2,581,504
Unamortized external capital contributions (Note 8)	100,092,293	97,520,404
Long term debt (Note 9)	6,040,630	6,167,751
	127,576,771	120,952,834
Net Assets:		
Endowments (Note 10)	10,731,210	10,292,403
Investment in capital assets	37,185,607	36,232,374
Internally restricted net assets	245,075	490,312
Unrestricted	16,542,338	14,514,491
	64,704,230	61,529,580
	$ 192,281,001	$ 182,482,414

The accompanying notes and schedules are part of these financial statements.

GRANT MacEWAN COLLEGE
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2002

	2002	2001
		(As restated - Note 17)
Revenue		
Grants (Note 11)	$ 42,416,124	$ 36,651,933
Tuition and related fees	31,769,549	30,028,517
Contract programs	2,968,249	3,179,350
Sales, rentals and services	13,655,444	12,112,932
Amortization of deferred capital contributions (Note 8)	3,642,757	4,348,228
Investment earnings (Note 12)	972,266	3,326,187
Donations	846,394	838,979
	96,270,783	90,486,126
Expense		
Salaries and benefits (Note 14)	61,366,275	53,638,247
Supplies and services	16,577,537	16,925,600
Amortization of capital assets	7,056,141	6,490,280
Cost of goods sold	5,701,591	4,733,230
Utilities	2,309,839	1,984,192
Scholarships and bursaries	523,557	491,806
	93,534,940	84,263,355
Excess of revenue over expense	$ 2,735,843	$ 6,222,771

GRANT MacEWAN COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002

	2002					2001
	Endowments (Note 10)	Investments in Capital Assets	Internally Restricted	Unrestricted	Total	Total (As restated - Note 17)
Excess of revenue over expense	$ -	$ -	$ -	$ 2,735,843	$ 2,735,843	$ 6,222,771
Endowment contributions	438,807	-		-	438,807	590,629
Transfers for:						
Acquisition of internally funded capital assets	-	4,586,796	-	(4,586,796)	-	-
Repayment of debt related to capital assets	-	119,643	-	(119,643)	-	
Amortization of internally funded capital assets	-	(3,413,384)	-	3,413,384	-	-
Disposal of internally funded assets	-	(339,822)	-	339,822	-	-
Net appropriations to restricted funds	-	-	(245,237)	245,237	-	-
Increase in net assets	438,807	953,233	(245,237)	2,027,847	3,174,650	6,813,400
Net assets at beginning of year (as restated - Note 17)	10,292,403	36,232,374	490,312	14,514,491	61,529,580	54,716,180
Net assets at end of year	$ 10,731,210	$ 37,185,607	$ 245,075	$ 16,542,338	$ 64,704,230	$ 61,529,580

GRANT MacEWAN COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

	2002	2001
		(As restated - Note 17)
Operating activities:		
Excess of revenue over expense	$ 2,735,843	$ 6,222,771
Non-cash transactions:		
Amortization of capital assets	7,056,141	6,490,280
Loss on disposal of capital assets	332,484	28,453
Amortization of deferred capital contributions	(3,642,757)	(4,348,228)
	6,481,711	8,393,276
Change in non-cash working capital (Note 13)	1,079,134	(2,908,940)
Cash generated from operating activities	7,560,845	5,484,336
Investing activities:		
Acquisition of capital assets:		
Internally funded	(4,586,796)	(6,227,948)
Externally funded	(6,318,706)	(3,614,642)
Debt funded	-	(3,416,050)
Proceeds on disposal of capital assets	7,333	8,181
Net decrease / (increase) in investments	300,147	(8,621,320)
Cash applied to investing activities	(10,598,022)	(21,871,779)
Financing activities:		
Endowment contributions	438,807	590,629
Capital asset contributions (Note 8)	6,318,706	3,614,642
Deferred capital contributions	549,522	1,382,668
Increase in construction payables	2,555,439	-
Repayment of long-term debt	(119,643)	(112,606)
Cash generated from financing activities	9,742,831	5,475,333
Increase in cash and temporary investments	6,705,654	(10,912,110)
Cash and temporary investments, beginning of year	9,891,257	20,803,367
Cash and temporary investments, end of year	$ 16,596,911	$ 9,891,257

GRANT MacEWAN COLLEGE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2002

Note 1 Authority and Purpose

Grant MacEwan College operates under the authority of the Colleges Act, Chapter C-19, Revised Statutes of Alberta 2000, as amended. The College offers applied degree, diploma and certificate programs in arts and science, business, health and community studies, and performing, visual and communication arts. The College also offers first and second year university transfer programs in arts and science, physical education, nursing, engineering and commerce. Through its outreach activities, the College offers credit and non-credit courses in these programs on an outreach basis within greater Edmonton, and on brokerage and outreach basis to other areas of the Province, nationally and beyond.

The college is exempt under Section 149 of the Income Tax Act from payment of income taxes.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidated Statements

These consolidated financial statements include the accounts of the Grant MacEwan College Foundation, which operates under part 9 of the Companies Act of Alberta for the support and advancement of the College. The Foundation is a registered charity and exempt from payment of income tax.

(b) Revenue Recognition

Unrestricted contributions are recognized as revenue in the period they are receivable.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the conditions of the grant are met. Non-capital donations of materials and services that would otherwise have been purchased are accounted for as externally restricted non-capital contributions, at fair value when a fair value can be reasonably estimated.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired. Contributions for capital assets that will not be amortized, such as land and art collections, are not transferred to unamortized deferred capital contributions or recognized as revenue, but are recorded as direct increases in net assets in the period the asset is acquired. Capital donations of assets that would otherwise be purchased are accounted for as externally restricted capital contributions, at fair value when a fair value can be reasonably estimated.

Unamortized deferred capital contributions are recognized as revenue in the periods in which the related capital assets are amortized. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate how the related amortization expense has been funded. Unamortized deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal, provided that all restrictions have been complied with.

Government grants are accounted for as unrestricted contributions or externally restricted contributions in accordance with the terms of funding. Externally restricted contributions made for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

Investment earnings on unrestricted contributions are recognized as revenue when realized. Investment earnings on externally restricted endowments are recognized when the related expenditures have been incurred.

Amounts received for tuition fees, contract programs and sales, rentals and services are classified as unearned revenue and recognized as revenue in the period the goods are delivered or the services are provided.

(c) Investments

Investments are recorded at cost or amortized cost. Amortization of discount or premium is on a straight-line basis over the life of the investment. Gains and losses on investments are recognized upon liquidation, or when there is permanent impairment in the value of an investment.

(d) Capital Assets

Capital asset acquisitions are recorded at cost, except donated assets, which are recorded at fair market value. Land and art collections are not amortized.

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings and site improvements	10 to 40 years
Furniture, equipment and vehicles	10 years
Library materials	10 years
Computers and telecommunications equipment	5 years

(e) Inventories

Inventories for resale are valued at the lower of cost or net realizable value, with cost determined on a moving average basis.

(f) Pension Obligation and Expense

The College and its eligible employees participate in the Local Authorities Pension Plan which is a multi-employer defined benefit plan. The College records an expense for pension benefits equivalent to the annual contributions payable during the year. Accounting treatment for multi-employer pension plans is the same as for defined contribution plans and, therefore, no plan deficits or surplus' are recorded in the College accounts.

Note 3 Inventories

	2002	2001
Bookstores	$ 1,014,152	$ 1,188,359
Other inventories	67,947	42,971
	$ 1,082,099	$ 1,231,330

Note 4 Investments

(a) Temporary Investments

Temporary investments consist of investments in Bankers' Acceptance and Bearer Deposit Notes which are managed by the College. Temporary investments are recorded at cost plus accrued interest which approximates their fair market value.

(b) Long-Term Investments

Term to maturity of the flex annuity is based upon the contractual maturity of the security. Effective yield represents the rate which discounts future cash receipts to the carrying value at June 30, 2002.

	2002				2001
	Effective Yield	Weighted Average Years to Maturity	Market Value	Cost	Cost
Pooled Funds					
Common stocks and equivalents			$ 16,039,762	$ 20,794,728	$ 21,987,164
Fixed income securities			5,743,057	5,691,326	5,947,774
Cash and equivalents			1,121,355	1,121,355	37,199
Flexannuity investment with Canada Life Assurance	10.06%	7.3 years	242,339	242,339	220,188
Cash surrender value of planned gifts (life insurance policies)			507,923	507,923	466,341
Other			24,523	24,523	23,675
			$ 23,678,959	$ 28,382,194	$ 28,682,341

In Management's best judgment, based on market trends and stocks of companies held within pooled funds, the fair market value of investments will recover over time. Accordingly, investments are recorded at cost.

Note 5 Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 19,649,957	$ -	$ 19,649,957	$ 19,649,957
Buildings and site improvements	142,608,442	(38,125,141)	104,483,301	108,051,001
Furniture, equipment and vehicles	13,931,238	(8,239,183)	5,692,055	5,200,450
Library materials	6,808,678	(4,545,183)	2,263,495	1,829,171
Computers and telecommunications equipment	18,314,509	(12,737,441)	5,577,068	5,098,101
Art collection	211,492	-	211,492	211,492
Work In Progress	5,568,286	-	5,568,286	-
	$ 207,092,602	$ (63,646,948)	$ 143,445,654	$ 140,040,172

Note 6 Unearned Revenue

	2002	2001
Contract programs & tuition fees	$ 2,114,520	$ 2,252,556
Program deposits	430,014	453,412
Ancillary services - MacEwan Centre for Sport & Wellness	214,195	229,064
	$ 2,758,729	$ 2,935,032

Note 7 Deferred Contributions

	2002				2001
	Capital projects	Scholarships and bursaries	Non-capital projects	Total	Total
					(As restated - Note 17)
Contributions:					
Grants - Province of Alberta	$ 6,227,000		$ 42,906,016	$ 49,133,016	$ 39,385,667
Grants - Other			792,532	792,532	841,226
Donations	641,228	963,081		1,604,309	1,467,006
Investment Earnings / (Loss)		(151,209)		(151,209)	1,306,687
	6,868,228	811,872	43,698,548	51,378,648	43,000,586
Transferred to revenue:					
Grants:					
Grants - Province of Alberta			(41,657,534)	(41,657,534)	(35,810,708)
Grants - Other			(758,590)	(758,590)	(841,226)
Donations		(838,441)		(838,441)	(838,743)
Investment Earnings		(642,386)		(642,386)	(792,811)
	-	(1,480,827)	(42,416,124)	(43,896,951)	(38,283,488)
Transferred (to)/from:					
Unamortized deferred capital contributions (Note 8)	(6,318,706)			(6,318,706)	(3,614,642)
Non-capital infrastructure projects				-	-
Scholarships and bursaries				-	
Endowments				-	(150,452)
	(6,318,706)	-	-	(6,318,706)	(3,765,094)
Increase (decrease) during the year	549,522	(668,955)	1,282,424	1,162,991	952,004
Deferred contributions, beginning of year	2,581,504	3,160,911	1,033,895	6,776,310	5,824,306
Deferred contributions, end of year	$ 3,131,026	$ 2,491,956	$ 2,316,319	$ 7,939,301	$ 6,776,310

Deferred contributions represent unspent contributions externally restricted for either capital or non-capital purposes.

Note 8 Unamortized Deferred Capital Contributions

	2002	2001
Balance at beginning of year	$ 97,520,404	$ 98,341,648
Transferred from deferred contributions (Note 7)	6,318,706	3,614,642
Less amount amortized to revenue	(3,642,757)	(4,348,228)
Disposals	(104,060)	(87,658)
Balance at end of year	$ 100,092,293	$ 97,520,404

Unamortized deferred capital contributions represent the external funding of capital assets which will be recognized as revenue in future periods.

Note 9 Long-term Debt

The College issued a debenture of $6,400,000 at the rate of 6.25% per annum to Alberta Municipal Financing Corporation on April 3, 2000 to finance the construction of a stand-alone parking facility at the City Centre Campus. The debenture matures on April 3, 2025. The debenture is secured by the future revenues of the parkade.

Repayment of the principal and interest is funded by revenues generated from the parkade. The repayment schedule for the next five fiscal years will be as follows:

2003	$512,606
2004	512,606
2005	512,606
2006	512,606
2007	512,606
Total:	$2,563,030

Note 10 Endowments

	2002	2001
Endowments consist of funds held to provide scholarships and support College programs:		
Externally funded	$ 9,980,064	$ 9,541,257
Internally funded	751,146	751,146
	$ 10,731,210	$ 10,292,403

Note 11 Grants

	2002	2001
Province of Alberta		
Base operating grant	$ 33,651,462	$ 29,310,344
Earned conditional funding	8,006,072	6,500,363
	41,657,534	35,810,707
Earned conditional Government of Canada funding	758,590	841,226
	$ 42,416,124	$ 36,651,933

Note 12 Investment Earnings

	2002	2001
Investment Earnings:		
Unrestricted sources	$ 329,655	$ 2,533,376
Resources held for endowments	(151,209)	1,306,687
Total investment earnings for the period	178,446	3,840,063
Amounts transferred from (to) deferred contributions	793,820	(513,876)
	$ 972,266	$ 3,326,187

Note 13 Changes in Non-cash Working Capital

	2002	2001
Accounts receivable	$ 32,458	$ (54,621)
Inventories	149,231	56,091
Prepaid expenses	(169,287)	(227,398)
Accounts payable and accrued liabilities	(171,167)	(2,744,897)
Accrued vacation pay	800,733	449,563
Unearned revenue	(176,303)	42,986
Deferred contributions	613,469	(430,664)
	$ 1,079,134	$ (2,908,940)

Note 14 Salary Disclosure

	2002			2001
	Salary (a)	Benefits and Allowances(b)	Total	Total
Chairman of the Board	$ 6,270	$ 78	6,348	$ 6,270
Board Members	30,855	279	31,134	30,644
President	177,207	23,136	200,343	181,503
Executive/Vice Presidents				
Vice President Resources	133,516	13,932	147,448	141,440
Vice President Academic	120,120	23,960	144,080	133,911
Executive Dean	120,000	4,838	124,838	0
Executive Director, College Advancement	113,323	17,082	130,405	116,964
Executive Director, Human Resources	91,425	15,393	106,818	94,836
Executive Director, Student Services	95,658	15,590	111,248	98,981
Executive Director, Strategic Planning	88,696	10,860	99,556	84,367

(a) Includes regular base pay plus performance payments, lump sum payments, honoraria, sabbatical payments and any other direct cash remuneration.

(b) Includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental, out-of-country medical benefits, accidental disability and dismemberment insurance, long and short-term disability insurance, supplementary superannuating contributions, earned vacation leave and vehicle allowances.

The College contributed $1,723,132 (2001: $1,355,704) to the Local Authorities' Pension Plan on behalf of employees. This amount has been recognized as a benefit expense in the College accounts in the year the contributions were made.

Note 15 Related Party Transactions

The College is a Provincial Corporation as all of the members of the Board of Governors are appointed either by the Colleges Act or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning.

During 2002, the College provided courses to provincial government departments and participated in offering certain courses with other post-secondary institutions. The revenues and expenses incurred for these courses have been included in the consolidated statement of revenue and expense but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at these fair value amounts. Transactions with the Province of Alberta are disclosed in Note 11 to these financial statements.

At June 30, 2002 the College had unspent funds of $4,125,166 which were received from the Province of Alberta for capital and non-capital projects. These amounts are classified as deferred contributions and are required to be spent on capital and non-capital projects as agreed upon between the College and the Province.

At June 30, 2002 the accounts receivable balance included an amount of $360,642 owing from the Province of Alberta for projects completed.

Note 16 Budget

The Board of Governors approved the following budget relating to the College's operating revenue and expenses for the fiscal period ending June 30, 2002 on April 19, 2001:

Revenue	
Grants	$ 29,848,000
Tuition and related fees	32,718,000
Contract programs	4,889,000
Sales, rentals and services	12,255,000
Amortization of deferred capital contributions	3,800,000
Investment earnings	1,726,000
Donations	1,505,000
	86,741,000
Expense	
Salaries and benefits	52,649,000
Supplies and services	18,794,000
Amortization of capital assets	5,704,000
Cost of goods sold	4,406,000
Utilities	1,969,000
Scholarships and bursaries	414,000
	83,936,000
	$ 2,805,000

Note 17 Prior Period Adjustment

In the prior period, $111,211 of internally restricted donations were classified as unrestricted donations and should not have been.

In the prior year, $174,211 of internally restricted expenditures were classified as unrestricted expenses and should not have been. This amount has been restated by reducing prior year donation income and net appropriations to internally restricted net assets by $174,211 and increasing prior period deferred contributions by $174,211.

In the prior year, $341,302 of net expenditures for the Foundation Campaign Fund were classified as unrestricted net expenditures and should not have been. This amount has been restated by increasing unrestricted net assets by $341,302 and decreasing internally restricted net assets by the same amount.

These corrections have been applied retroactively with restatement of prior year's amounts. The total effect of these corrections on the prior year is as follows: donation income decreased by $174,211 and deferred contributions increased by $174,211; excess of revenue over expenses decreased by $174,211; unrestricted net assets increased by $230,091; internally restricted net assets decreased by $404,302.

Note 18 Commitments

The College is committed to several operating lease contracts. The minimum operating lease payments required for the next five years are as follows:

2003	$180,428
2004	180,428
2005	180,428
2006	93,950
2007	13,392

The Board of Governors of the College has approved capital projects to renovate and expand the Millwoods campus. The maximum expenditures approved are $7,000,000 for renovations and $3,000,000 for building expansion.

Note 19 Subsequent Event

Effective July1, 2002, the Minister of Learning approved the transfer of Alberta College – Edmonton's assets and programs to the College and to the Northern Alberta Institute of Technology (NAIT). The Tourism & Hospitality and Multimedia programs along with related assets transferred to NAIT. All remaining programs and related assets were transferred to the College. Alberta College – Edmonton's assets and liabilities were transferred at net book value to the College as follows:

Cash – unrestricted	$1,256,474
Non-cash working capital:	
Accounts receivable	150,121
Inventories	58,222
Prepaid expenses	22,791
Accounts payable and accrued liabilities	(209,832)
Unearned revenue	(1,008,712)
Deferred contributions	(9,442)
	(996,852)
Restricted cash and endowments:	
Cash – restricted	144,292
Endowments	(144,292)
	-
Capital assets	4,505,264
Contribution	(4,505,264)
	-
Unrestricted net assets transferred	$ 259,622

Note 20 Approval of Financial Statements

These financial statements were approved by the Board of Governors on November 21, 2002.

KEYANO COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2002

Auditor's Report

Statement of Financial Position

Statement of Revenue and Expense

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors
Keyano College

I have audited the statement of financial position of Keyano College as at June 30, 2002 and the statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CA
Auditor General

September 19, 2002
Edmonton, Alberta

KEYANO COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2002

	2002	2001 Restated (Note 3)
ASSETS		
Current:		
Cash	$ 1,664,296	$ 2,504,094
Short-term investments (Note 4)	1,224,475	3,370,346
Accounts receivable	1,511,735	1,137,981
Inventories (Note 5)	187,553	233,670
Prepaid expenses	109,536	114,895
	4,697,595	7,360,986
Long-term investments (Note 4)	14,472,677	12,843,806
Capital assets (Note 6)	56,892,314	52,385,853
	$ 76,062,586	$ 72,590,645
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 2,954,756	$ 2,560,560
Accrued vacation pay	1,539,653	1,523,665
Unearned revenue (Note 7)	503,939	454,864
Long term debt due within one year (Note 10)	150,183	142,293
Deferred contributions (Note 8)	4,068,955	2,584,982
	9,217,486	7,266,364
Long-term:		
Deferred contributions for capital purposes (Note 9)	4,111,471	5,000,000
Long term debt (Note 10)	5,357,907	5,502,276
Unamortized deferred capital contributions (Note 12)	29,393,459	28,628,215
	38,862,837	39,130,491
Net assets:		
Endowments (Note 13)	1,118,798	1,047,527
Investment in capital assets (Note 15)	21,990,765	20,905,489
Unrestricted net assets	4,872,700	4,240,774
	27,982,263	26,193,790
	$ 76,062,586	$ 72,590,645

KEYANO COLLEGE
STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2002

	2002	2001 Restated (Note 3)
Revenue:		
Grants (Note 21)	$ 20,021,176	$ 18,853,471
Sales, rentals and services	4,645,219	3,872,672
Tuition	3,847,345	3,444,940
Education contracts	970,196	699,089
Investment income (Note 4)	545,296	378,432
Donations	605,491	532,524
Gain on disposal of capital assets	-	145,178
Amortization of deferred capital contributions (Note 12)	1,800,937	1,864,539
	32,435,660	29,790,845
Expense (Note 16):		
Instruction	12,618,855	11,952,387
Institutional support	7,892,964	7,149,032
Academic support	2,084,191	1,991,826
Student services	1,940,484	1,646,952
Computing services	534,868	538,684
Ancillary operations (Note 17)	2,356,263	2,090,716
Amortization	2,788,116	2,760,874
Interest expense on long term debt	372,000	-
Loss on disposal of capital assets	130,717	-
	30,718,458	28,130,471
Excess of revenue over expense	$ 1,717,202	$ 1,660,374

KEYANO COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002

	2002				2001 Restated (Note 3)
	Endowments (Note 13)	Investment in Capital Assets (Note 15)	Unrestricted Net Assets	Total	Total
Beginning of year, as restated (Note 3)	$ 1,047,527	$ 20,905,489	$ 4,240,774	$ 26,193,790	$ 24,330,308
Excess of revenue over expense	-	-	1,717,202	1,717,202	1,660,374
Endowments received	71,271	-	-	71,271	203,108
Capital assets acquired from internal funds	-	2,174,680	(2,174,680)	-	-
Amortization of internally funded capital assets	-	(987,179)	987,179	-	-
Net book value of disposals	-	(245,347)	245,347	-	-
Principal repayment of long term debt	-	143,122	(143,122)	-	-
	$ 1,118,798	$ 21,990,765	$ 4,872,700	$ 27,982,263	$ 26,193,790

KEYANO COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

	2002	2001 Restated (Note 3)
Cash provided from operating activities:		
Excess of revenue over expense	$ 1,717,202	$ 1,660,374
Non-cash transactions:		
Amortization of capital assets	2,788,116	2,760,874
Amortization of deferred capital contributions	(1,800,937)	(1,864,539)
Loss (gain) on disposal of capital assets	130,717	(145,178)
	2,835,098	2,411,531
Changes in non-cash working capital related to operations (Note 19)	3,766,825	(1,691,384)
Cash generated from operating activities	6,601,923	720,147
Cash provided from (used in) investing activities:		
Purchase of capital assets:		
Internally funded	(2,174,680)	(2,138,832)
Externally funded through contributions and debt	(5,365,245)	(3,033,889)
Proceeds on disposals of capital assets	114,631	442,348
Purchase of long term investments net	(1,628,871)	(5,726,995)
Changes in non-cash working capital related to investing activities	-	1,096,424
Cash used in investing activities	(9,054,165)	(9,360,944)
Cash provided from financing activities:		
Capital contributions received	1,677,652	5,281,555
Endowment contributions	71,271	203,108
Long term debt (net)	(136,479)	5,495,267
Cash generated from financing activities	1,612,444	10,979,930
Increase (decrease) in cash	(839,798)	2,339,133
Cash at beginning of year	2,504,094	164,961
Cash at end of year	$ 1,664,296	$ 2,504,094

KEYANO COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 20, 2002

Note 1 Authority and Purpose

Keyano College operates under the authority of the Colleges Act, RSA 2000, Chapter C-19. The College is a comprehensive community college serving primarily the north-eastern region of Alberta. The College is exempt from payment of income tax under Section 149 of the Income Tax Act.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General

The financial statements of the College have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results.

(b) Revenue Recognition

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are deferred until that future period and are reflected as deferred contributions.

Amounts received for tuition fees and sales of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributors. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property. Investment income earned on external endowments is recorded as a direct increase in net assets where the donor has stipulated that the economic value of endowments must be protected.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested to acquire capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

(b) Revenue Recognition (continued)

Contributions of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(d) Investments

Long-term investments are recorded at cost. Gains or losses on long-term investments are recognized at liquidation or when there is permanent impairment in the value of an investment.

(e) Capital Assets

Capital assets acquisitions are recorded at cost except for donated assets which are recorded at fair market value at the time of receipt. Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

	Years
Land improvements	40
Buildings and renovations	40
Furnishings and equipment	10-25
Automotive and heavy equipment	5-25
Library materials	10
Audio-visual equipment	10
Computer hardware and software	5-10

(f) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's surplus is not recorded by the College.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(g) Expenses

Instruction encompasses all formal educational and instructional program elements. Institutional support includes all activities that provide institution-wide support to other programs. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio-visual services. Student services includes all activities or services to the student body of the institution including scholarships and bursaries.

(h) Translation of foreign currencies

Monetary assets are translated into Canadian dollars at the rate of exchange at Statement of Financial Position date. Non-monetary items are translated at historical exchange rates. Revenue and expense items are translated at the rate of exchange in effect on the dates they occur.

Note 3 Amendments to 2001 Financial Statements

During 2002, the College determined that amortization of deferred capital contributions had been previously incorrectly recorded. The comparative figures for 2001 have been amended as follows:

		As previously reported	Correction of accounting		As restated
Statement of Financial Position					
Unamortized deferred capital contributions	$	26,523,154	2,105,061	$	28,628,215
Investment in capital assets		23,010,550	(2,105,061)		20,905,489
Statement of Revenue and Expense					
Amortization of deferred capital contributions	$	2,485,012	(620,473)	$	1,864,539
Excess of revenue over expense		2,280,847	(620,473)		1,660,374
Statement of Changes in Net Assets					
Beginning of year 2001 total	$	25,814,896	(1,484,588)	$	24,330,308
End of year 2001 total	$	28,298,851	(2,105,061)	$	26,193,790
Statement of Cash Flows					
Excess of revenue over expense	$	2,280,847	(620,473)	$	1,660,374
Amortization of deferred capital contributions		(2,485,012)	620,473		(1,864,539)

Note 4 Investments

	2002				2001
	Short- term Investments	Long term Investments	Total Cost	Market Value	Total Cost
Money market investments	$ 1,224,475	4,978,099	6,202,574	6,217,340	7,259,190
Bonds	-	5,922,807	5,922,807	6,057,593	5,516,655
Equities	-	3,571,771	3,571,771	3,723,414	3,438,307
	$ 1,224,475	14,472,677	15,697,152	15,998,347	16,214,152

Restricted:	
For capital purposes	$ 4,111,471
For endowments	1,118,798
Total restricted investments	$ 5,230,269

The Board of Governors has approved an investment strategy creating two portfolios for investments. The first portfolio encompasses operating funds designated for expenditures within one year. The primary objective of the short-term portfolio is liquidity with security of capital. Risk levels will be kept low and securities will be liquid.

The first portfolio is restricted as follows:

a) Quality constraint of "R1-Mid" or better for money market securities.
b) All Corporate and Provincial bonds will be rated "A" or higher at the time of purchase.
c) No more than 10% of cash and equivalents will be invested in any one issuer, other than investments guaranteed by the Government of Canada or any province.
d) No more than 5% of the portfolio will be invested in any one corporate bond issue.

Note 4 Investments (continued)

The second portfolio is designated for long-term working capital and restricted funds. The objective of the long-term portfolio is preservation of capital and generation of a competitive total return.

The second portfolio is restricted as follows:

a) Quality constraint of "R1" or "A1" or higher for money market securities.
b) All Corporate and Provincial bonds will be rated "A low" or higher at the time of purchase.
c) No money market or fixed income single position, other than Government of Canada or Province of Alberta credits, at more than 10% of the portfolio.
d) The cash and equivalents category of the portfolio shall be a maximum of 15% of the portfolio.
e) The fixed income category of the portfolio shall be a minimum of 30% and a maximum of 70% of the portfolio.
f) The equity category of the portfolio shall be a minimum of 20% and a maximum of 50% of the portfolio.
g) No more than a maximum of 5% of the equity component, at market, will be invested in any one equity issue.

The effective yield for the portfolio on the bond investment is 5.08 %. The bond investments mature as follows:

	1-5 years	6-10 years	over 10 years	Total
Bonds	$ 2,454,454	$ 3,468,353	$ -	$ 5,922.80

Investment Income	2002	2001
Interest earned on investments	$ 351,417	$ 201,315
Interest earned on operating funds	241,366	221,596
Total interest earned	592,783	422,911
Transferred to deferred contributions	(47,487)	(44,479)
	$ 545,296	$ 378,432

Note 5 Inventories

	2002	2001
Bookstore	$ 149,872	$ 195,337
Maintenance contracts	37,681	38,333
	$ 187,553	$ 233,670

Note 6 Capital Assets

Capital assets are summarized as follows:

	2002			2001
	Cost and Appraised Value	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 11,679,586	$ -	$ 11,679,586	$ 11,679,586
Land improvements	445,208	11,580	433,628	-
Buildings and renovations	66,054,306	28,861,361	37,192,945	33,189,757
Furnishings and equipment	6,752,158	3,555,527	3,196,631	3,035,204
Automotive and heavy equipment	6,041,373	3,572,965	2,468,408	2,547,055
Library materials	1,828,285	1,542,379	285,906	297,254
Audio-visual equipment	727,606	344,646	382,960	189,142
Computer hardware and software	3,162,639	1,910,389	1,252,250	1,447,855
	$ 96,691,161	$ 39,798,847	$ 56,892,314	$ 52,385,853

The Province of Alberta has been granted an option to purchase the whole or any part of the land, buildings and improvements transferred to the College in 1984, at value of $47,534,300, for the nominal amount of $1 per purchase. Capital acquisitions during the year include certain donations in kind with fair market value of $41,585 (2001 $36,352).

Buildings and renovations include the Syncrude Technology Centre (under construction) with a net book value of $2,188,238. No amortization has been taken on the Syncrude Technology Centre building.

Note 7 Unearned Revenue

	2002	2001
Tuition fees	$ 292,847	$ 243,630
Contract programs	211,092	211,234
	$ 503,939	$ 454,864

Note 8 Deferred Contributions

Deferred contributions represent unspent amounts externally restricted for non-capital purposes.

	2002	2001
Contributions:		
Grants	$ 3,701,783	$ 3,490,635
Donations	190,224	289,686
Investment income	47,487	44,479
	3,939,494	3,824,800
Transferred to revenue:		
Grants	(2,219,247)	(2,672,486)
Donations and investment income	(165,003)	(169,432)
	(2,384,250)	(2,841,918)
Transferred to endowments	(71,271)	(203,108)
Increase during the year	1,483,973	779,774
Balance at beginning of year	2,584,982	1,805,208
Balance at end of year	$ 4,068,955	$ 2,584,982
The balance consists of funds restricted for:		
Scholarships and bursaries	$ 236,540	$ 235,104
New program start-up funds	1,626,266	1,486,142
	1,862,806	1,721,246
Deferred contributions for maintenance	2,206,149	863,736
	$ 4,068,955	$ 2,584,982

Note 9 Deferred Contributions for Capital Purposes

Deferred contributions for capital purposes represent unspent capital funds for the Syncrude Technology Centre building.

	2002	2001
Contributions:		
Grants	$ -	$ 5,000,000
Donations	1,677,652	281,555
	1,677,652	5,281,555
Transferred to unamortized deferred capital contributions (Note 12)	(2,566,181)	(281,555)
Increase (decrease) during the year	(888,529)	5,000,000
Balance, beginning of year	5,000,000	-
Balance, end of year	$ 4,111,471	$ 5,000,000

Note 10 Long Term Debt

	2002	2001
Alberta Municipal Financing Corporation Debenture, interest at 6.5% per annum. Repayment is 25 consecutive annual instalments of $450,898, principal and interest combined. Maturity June 15, 2026	$ 5,406,602	$ 5,500,000
Obligations under Capital Lease Interest at varying rates of 2.5% to 8.3%. Payments of $43,929 annually principal and interest combined. Maturity December 2003 to August 2006	101,488	144,569
	5,508,090	5,644,569
Current portion	150,183	142,293
	$ 5,357,907	$ 5,502,276

Repayment of principal in each of the next five fiscal years will be as follows:

2003	$ 150,183
2004	138,328
2005	123,868
2006	127,443
2007 to maturity	4,968,268
	$ 5,508,090

All acquired intangibles, accounts, monies, accounts receivables, instruments, claims or rights, choices in action and insurance proceeds derived directly or indirectly from the operations of the student residence have been pledged as security on the Alberta Municipal Financing Corporation debenture.

Note 11 Funds Held on Behalf of Others

The College has $51,316 (2001 $600,843) in funds held in trust for other parties. These amounts are not included in these financial statements.

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funding of capital assets which will be recognized as revenue in future periods.

		(Note 3)
Balance at beginning of year	$ 28,628,215	$ 30,211,199
Add amount transferred from deferred capital contributions (Note 9)	2,566,181	281,555
Less amount amortized to revenue	(1,800,937)	(1,864,539)
Balance at end of year	$ 29,393,459	$ 28,628,215

Note 13 Endowments

Endowments are comprised of externally restricted amounts which are required to be maintained intact.

Note 14 Planned Expenditures

The Board of Governors has approved the following planned expenditures as future funds become available.

	2002	2001
Professional development		
Excluded staff	$ 56,131	$ 68,976
Support staff	27,916	46,700
Faculty	59,000	78,565
Employee safety	4,941	4,941
Employee assistance program	12,360	12,360
Industry Education Centre	253,303	300,229
Research and development	21,023	21,105
Management information system	425,000	275,000
Aboriginal Entrepreneurship	59,099	8,974
Program development	175,456	258,856
Musical instruments	46,230	38,418
Trades program	119,884	100,709
Family welfare worker program	70,639	70,639
Innovative instruction	2,964	2,964
Native education training	20,140	20,140
Environmental worker diploma	20,842	20,842
Academic development	80,141	56,410
Community and upgrading education development	123,102	47,396
Student housing	166,210	644,664
Bookstore	129,144	98,640
Computer training	6,406	6,406
Parking	190,908	199,956
Theatre operating	41,054	98,910
Equipment replacement	904,552	733,769
Site and renovations	941,751	882,310
Food services centre equipment	31,922	15,955
Theatre capital	21,071	27,192
Capital Campaign Planning	726,760	387,109
Lecture series	-	541
Recreation and atheletic reserve	17,330	-
Shift worker initiative	133,344	38,924
	$ 4,888,623	$ 4,567,600

Note 15 Net Assets Invested in Capital Assets

Capital assets	$ 56,892,314	$ 52,385,853
Less Debt	(5,508,090)	(2,852,149)
Unamortized deferred capital contributions	(29,393,459)	(28,628,215)
Balance at end of year	$ 21,990,765	$ 20,905,489

Note 16 Supplementary Expense Information

Expense is summarized by object as follows:

	2002	2001
Salaries and benefits	$ 19,622,819	$ 18,141,561
Supplies and services	5,883,836	5,425,695
Scholarship and awards	287,113	169,431
Utilities	1,442,457	1,153,281
Cost of goods sold	563,400	479,629
Amortization of capital assets	2,788,116	2,760,874
Loss on disposal	130,717	-
	$ 30,718,458	$ 28,130,471

Note 17 Ancillary Operations

The College's ancillary operations revenue included in sales, rentals and services and ancillary operations direct expense are summarized as follows:

	2002	2001
Revenue:		
Student residence	$ 1,539,763	$ 947,616
Food services facility rental contract	30,117	32,626
Bookstore	615,084	501,298
Theatre	421,840	438,470
Parking	141,763	136,545
	$ 2,748,567	$ 2,056,555
Expense:		
Student residence	$ 919,927	$ 842,060
Food services facility maintenance	1,971	2,353
Bookstore	583,101	495,905
Theatre	768,472	695,252
Parking	82,792	55,146
	$ 2,356,263	$ 2,090,716

Note 18 Salaries and Benefits

	2002			2001
	Salary (Note 1)	Benefits and Allowances (Note 2)	Total	Total
Board Chairman	$ 4,510	$ 316	$ 4,826	$ 4,826
Board members	26,475	1,853	28,328	26,058
President (Note 3)	145,669	11,353	157,022	143,064
Vice President - Instruction (Note 3)	97,956	11,140	109,096	104,858
Vice President - Student and College Services (Note 3)	101,131	11,621	112,752	104,858
Dean, Academic and Career Programs	87,565	10,268	97,833	96,511
Dean, Community Trades and Technology	80,542	10,042	90,584	90,188

Notes:

1) Salary includes regular base pay, merit awards, performance bonus, overtime, vacation payouts, honoraria, and any other direct cash remuneration.

2) Employer share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental, vision, group life insurance, accidental death and dismemberment insurance and long and short-term disability plans.

3) Automobile provided, no dollar amount included in benefits and allowances figures.

Note 19 Changes in Non-Cash Working Capital

	2002	2001
Accounts receivable	$ (373,754)	$ (104,427)
Inventories	46,117	(31,718)
Prepaid expenses	5,359	(52,455)
Short term investments	2,145,871	(3,048,180)
Accounts payable and accrued liabilities	394,196	508,347
Accrued vacation pay	15,988	167,520
Unearned revenue	49,075	89,755
Deferred contributions	1,483,973	779,774
	$ 3,766,825	$ (1,691,384)

Note 20

Commitments and Contractual Obligations

(a) The College has contracted construction of the Syncrude Technology Centre which is still in progress at June 30, 2002. The total amount of the contracts is $7,410,111. Of this amount $2,188,238 has been expended.

(b) Minimum annual operating lease commitments required under the terms of various office space leases are as follows:

2003	$ 123,841
2004	100,007
2005	100,007
2006	66,671
	$ 390,526

Note 21 Related Party Transactions

(a) Related Party Transactions – Keyano College Foundation ("the Foundation")

The Keyano College Foundation is a registered charitable organization, and receives donations from various sources for the advancement of Keyano College.

The Foundation financial statements (which are prepared using the Restricted Fund method of revenue recognition) are not consolidated in the College's financial statements. The financial summaries of the unconsolidated entity as at June 30, 2002 and 2001 are as follows:

	2002	2001
Financial Position		
Total assets	$ 1,262,905	$ 545,018
Total liabilities	$ 141,920	$ 59,976
Net assets	$ 1,120,985	$ 485,042

	2002	2001
Results of Operating Activities and change in Operating Net Assets		
Revenue	$ 156,736	$ 132,897
Expense	(331,909)	(427,949)
Net operating deficit for the year	(175,173)	(295,052)
Operating fund net assets, beginning of year	-	-
Transfer from events and gaming	175,173	295,052
Operating fund net assets, end of year	$ -	$ -

Note 21 Related Party Transactions (continued)

	2002	2001
Results of Fund Raising Activities and surplus and change in Restricted Fund Net Assets		
Revenue	$ 3,170,790	$ 1,809,674
Expense	(144,351)	(136,099
Net fundraising for the year	3,026,439	1,673,575
Contribution to Keyano College	(2,215,323)	(1,080,107
Excess of revenue over expense	811,116	593,468
Restricted fund net assets beginning of year	485,042	186,626
Transfer to General operations	(175,173)	(295,052
Restricted fund net assets end of year	$ 1,120,985	$ 485,042

Note 21 Related Party Transactions (continued)

The College contributed $136,000 (2001 $105,903) toward salaries and benefits of Foundation staff. In addition, the College provided certain administrative services and accommodations at no cost to the Foundation.

The Foundation does not hold investments and capital assets. At June 30, 2002, the Foundation had net assets of $1,120,985 available for transfer to the College.

b) The College is a Provincial corporation as all the members of the Board of Governors are appointed either by the College Act or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning.

c) Transactions between the College and Province and other related parties are disclosed in the Statement of Revenue and Expense and/or are recorded in the following balances as at June 30, 2002:

	Revenue	Deferred Contributions	Unamortized Deferred Capital Contributions
Operating Grant	$ 16,180,985	$ -	$ -
Retention Cost Pressure Funding	930,826	-	-
Performance Funding	180,989	-	-
Infrastructure Grant	407,587	2,206,149	-
Access Grant	1,067,175	1,210,528	-
Other Grants	1,253,614	415,738	29,393,459
Total	$ 20,021,176	$ 3,832,415	$ 29,393,459

During the year, the College had business transactions with entities controlled by members of the Board. These transactions were at market prices on normal terms of purchase and sale.

Note 22 Budget

The College's Board of Governors approved the revenue and expense budgets on April 26, 2001 as follows.

Revenue		
Grants	$	19,244,955
Sales, Rentals and services		4,066,705
Tution and fees		3,641,427
Educational contracts		673,606
Investment		156,500
Amortizated deffered capital contributions		2,150,000
Donations		265,588
		30,198,781
Expenses		
Instruction		12,789,630
Institutional support		7,530,957
Academic support		2,076,369
Student services		1,574,442
Computing services		554,627
Ancillary operations		2,272,756
Amortization		2,650,000
		29,448,781
Excess of revenue over expenses	$	750,000

The approved budget does not contain amounts for losses or gains on disposal of assets, scholarships and bursaries.

Note 23 Pension Costs

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $776,284 for the year ended June 30, 2002 (2001 - $726,631). At December 31, 2001, the Local Authorities Pension Plan reported a surplus of $634,960,000 (2000 - $883,823,000).

Note 24 Comparative Figures

Certain of the 2001 comparative figures have been reclassified, where necessary, to conform to the current year's financial statement presentation.

Note 25 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

Lakeland College

Consolidated Financial Statements

June 30, 2002

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Lakeland College

I have audited the consolidated statement of financial position of Lakeland College (the "College") as at June 30, 2002 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2002 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
September 27, 2002

LAKELAND COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2002

ASSETS

	2002	2001 (As Restated Note 3)
Cash and short-term investments (Note 6)	$ 2,191,041	$ 1,668,473
Accounts receivable	1,751,180	2,341,083
Deferred expenses	109,391	185,422
Inventories (Note 4)	876,269	809,822
Current portion of loans receivable (Note 5)	18,873	20,398
	4,946,754	5,025,198
Loans receivable (Note 5)	3,202	18,320
Investments (Note 6)	7,636,292	12,404,933
Patronage dividends receivable	8,192	14,785
Capital assets (Note 7)	65,999,974	63,040,835
	$ 78,594,414	$ 80,504,071

LIABILITIES AND NET ASSETS

Accrued vacation pay	$ 1,490,657	$ 1,380,508
Accounts payable and accrued liabilities	2,106,814	2,052,214
Unearned revenue (Note 8)	1,629,517	1,170,211
Deferred contributions (Note 9)	2,085,924	1,169,420
Current Portion of long-term Debt (Note 12)	534,183	127,797
	7,847,095	5,900,150
Deferred capital contributions (Note 10)	469,244	500,807
Unamortized deferred capital contributions (Note 11)	49,150,216	50,704,646
Long-term Debt (Note 12)	4,068,216	786,400
	53,687,676	51,991,853
Net assets:		
Unrestricted	28,235	583,441
Internally restricted (Note 13)	2,306,369	9,431,853
Invested in capital assets	13,410,298	11,299,183
	15,744,902	21,314,477
Endowments (Note 14)	1,314,741	1,297,591
	17,059,643	22,612,068
	$ 78,594,414	$ 80,504,071

The accompanying notes are part of these consolidated financial statements.

LAKELAND COLLEGE

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2002

	2002		2001
	Budget (Note 20)	Actual	Actual (As Restated Note 3)
Revenue:			
Grants (Note 15)	$ 19,066,968	$ 20,166,263	$ 19,537,385
Tuition and related fees	10,841,734	8,463,561	7,518,852
Sales, rentals and services (Note 16)	3,706,931	3,907,325	3,506,123
Amortization of deferred capital contributions (Note 11)	2,898,416	2,608,519	2,860,868
Educational contracts	766,375	677,821	543,138
Investments (Note 17)	830,000	438,815	996,596
Donations	164,700	206,385	269,165
Other	87,000	773,821	267,355
	38,362,124	37,242,510	35,499,482
Expense (Note 18):			
Salaries and benefits (Note 19)	22,606,740	21,855,525	18,903,354
Supplies and services	9,983,548	10,192,659	9,579,543
Amortization of capital assets	3,740,000	4,503,690	4,025,824
Writedown of investments	-	2,481,190	-
Utilities	2,502,751	1,741,379	1,357,679
Severance payments	-	909,940	299,720
Investment costs	66,734	399,846	52,153
Loss on writedown of capital assets	-	596,548	-
Scholarships and bursaries	160,000	131,308	164,669
	39,059,773	42,812,085	34,382,942
Excess (Deficiency) of Revenue over Expense	$ (697,649)	$ (5,569,575)	$ 1,116,540

LAKELAND COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2002

	2002					2001
	Unrestricted	Internally Restricted (Note 13)	Invested in Capital Assets	Endowments	Total	Total (As Restated Note 3)
Excess (Deficiency) of revenue over expense	$ (5,569,575)	-	-	-	$ (5,569,575)	$ 1,116,540
Endowment contributions	-	-	-	17,150	17,150	2,178
Transfers:						
Amortization of internally funded capital assets	1,895,171	-	(1,895,171)	-	-	-
Acquisition of internally funded capital assets	(4,545,105)	-	4,545,105		-	-
Repayment of loans	(126,065)	-	126,065	-	-	-
From internally restricted	7,125,484	(7,125,484)	-	-	-	-
Net book value of capital asset diposals	664,884	-	(664,884)	-	-	-
Increase (decrease) in assets	(555,206)	(7,125,484)	2,111,115	17,150	(5,552,425)	1,118,718
Net assets beginning of year, as restated (Note 3)	583,441	9,431,853	11,299,183	1,297,591	22,612,068	21,493,350
Net assets at end of year	$ 28,235	$ 2,306,369	$ 13,410,298	$ 1,314,741	$ 17,059,643	$ 22,612,068

LAKELAND COLLEGE

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2002

	2002	2001 (As Restated Note 3)
OPERATING ACTIVITIES		
Excess (deficiency) of expense over revenue	$ (5,569,575)	$ 1,116,540
Non-cash transactions		
Amortization of capital assets	4,503,690	4,025,824
Amortization of deferred capital contributions (Note 11)	(2,608,519)	(2,860,868)
Loss on writedown of capital assets	596,548	-
Gain on disposal of capital assets	-	(144,400)
Decrease in patronage dividends receivable	6,593	4,730
	(3,071,263)	2,141,826
Net change in non-cash working capital	2,134,968	(1,156,087)
Cash generated through operating activities	(936,295)	985,739
INVESTING ACTIVITIES		
Acquisition of capital assets		
Internally funded	(7,060,231)	(2,302,863)
Externally funded	(1,054,089)	(964,238)
Loan advances to employees	19,023	5,303
Proceeds from loans receivable	(2,380)	-
Net decrease in investments	4,768,641	1,279,633
Proceeds from disposal of capital assets	58,945	615,165
Cash used in investing activities	(3,270,091)	(1,367,000)
FINANCING ACTIVITIES		
Endowment contributions	17,150	2,178
Proceeds from computer loan program	1,454	-
Long-term debt proceeds	3,821,551	29,648
Repayment of long-term debt	(133,727)	(30,878)
Capital contributions received (Note 10)	1,022,526	415,037
Cash generated through financing activities	4,728,954	415,985
INCREASE IN CASH AND INVESTMENTS	522,568	34,724
CASH AND INVESTMENTS AT BEGINNING OF THE YEAR	1,668,473	1,633,749
CASH AND INVESTMENTS AT END OF THE YEAR	$ 2,191,041	$ 1,668,473

LAKELAND COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2002

Note 1 Authority and Purpose

Lakeland College (the "College") operates under the authority of the Colleges Act, RSA 2000 c. Chapter C-19. The College, as an inter-provincial institution, provides quality educational services responsive to the needs of students in relation to the workplace, community and society. The College is exempt from the payment of income taxes under section 149 of the Income Tax Act and is a registered charity.

The Consolidated Financial Statements includes the results of the Alberta Fire Training School which was incorporated under the Alberta Business Corporations Act, Section 6 on February 27, 1998 as a not-for-profit organization and is exempt from taxes under the Income Tax Act.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

The Consolidated Financial Statements includes the results of the Alberta Fire Training School which was incorporated under the Alberta Business Corporations Act, Section 6 on February 27, 1998 as a not-for-profit organization and is exempt from taxes under the Income Tax Act.

(b) Revenue Recognition

Operating grants are recognized in the period when receivable. Operating grants received for a future period are deferred until that future period and are reported as deferred contributions.

Amounts received for tuition fees and the sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Capital grants and capital donations are recorded as deferred capital contributions until the amounts are invested in capital assets. Amounts invested representing funded capital assets are transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense for the funded capital assets is recorded.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributors. Any externally restricted contributions containing stipulations that the amounts should be permanently maintained, are recorded as a direct increase to net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

(c) Capital Assets

Purchased capital assets are recorded at cost. Donated assets are recorded at their fair value when donated. Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Buildings and site improvements	40, 10 and 5 years
Facility licence - buildings	3 - 37 years
Leasehold improvements	30 - 32 years
Furniture, equipment and library	10 years
Vehicles, computers and telecommunication equipment	5 years

LAKELAND COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2002

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(d) Inventories

Livestock inventory is recorded at net realizable value. All other inventories are valued at the lower of cost and net realizable value.

(e) Employee Future Benefits

The College participates in the Province of Alberta's Local Authorities and the Management Employees Pension Plans. These pension plans are multi-employer defined benefit plans that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the Local Authorities and the Management Employees Pension Plans. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(f) Financial Instruments

The carrying value of cash, receivables and payables, and accruals approximate fair value due to the relatively short periods to maturity of the instruments.

Note 3 Change in Accounting Policy

Previously, the results of operations of the College's subsidiary, the Alberta Fire Training School, were not included in the College's financial statements. During the current year, the College adopted the policy of including the subsidiary's results of operations in its consolidated financial statements. As a result of this change in accounting policy, consolidated net loss for the current period decreased from $4,420,487 to $4,069,575. The change in accounting policy has been applied retroactively with restatement of prior periods. As a result of the change in accounting policy, the College's financial statements for the year ended June 30, 2001 have been restated as follows:

	2001		
	As Previously Stated	Adjustment	As Restated
Net assets at beginning of year	$ 21,593,080	$ (99,730)	$ 21,493,350
Excess of revenue over expense	715,726	400,814	1,116,540
Endowment contributions	2,178	-	2,178
Net assets at end of year	$ 22,310,984	$ 301,084	$ 22,612,068

The prior period results of the Alberta Fire Training School are unaudited and reflect the results of the audited twelve months ended February 28, 2001, the audited four months ended June 30, 2001, and the exclusion of the four month period March 1, 2000 to June 30, 2000.

Note 4 Inventories

Inventories consist of:

	2002	2001
Livestock	$ 386,865	$ 394,650
Bookstore	331,929	273,755
Firefighting agents	67,115	29,948
Fuels	35,555	60,589
Farm	33,264	40,120
Clothes	13,817	8,916
Quip shop	3,899	1,844
Consumables	3,825	-
	$ 876,269	$ 809,822

LAKELAND COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2002

Note 5 **Loans Receivable**

	2002	2001
Employee loans receivable	$ 22,075	$ 38,718
Less: current portion	(18,873)	(20,398)
	$ 3,202	$ 18,320

The loans are receivable from employees in bi-weekly installments of $769 including interest at a rate of of 8.5% per annum. The advances were made under the provisions of an employee computer purchase program with installments made through payroll deductions.

Aggregate annual maturities of long-term loans receivable are as follows:

2002-03	18,873
2003-04	3,202
	$22,075

Note 6 **Cash and Investments**

	2002		2001	
	Cost	Market	Cost	Market
Bank overdraft	$ (436,596)	$ (436,596)	$ 1,034,472	$ 1,034,472
Consolidated Cash Investment Fund(CCITF)	667,841	667,841	60,719	60,719
Money Market Investments	889,835	889,835	842,924	842,924
Bonds	6,319,238	6,606,435	8,129,825	8,225,838
Equities	4,819,926	3,190,299	3,739,877	2,886,829
Provision for impairment	(2,481,190)	-		
Cash Held By Investment Manager	48,279	48,279	265,589	265,589
	9,827,333	$ 10,966,093	14,073,406	$ 13,316,371
Less: Long-term Amounts	(7,636,292)		(12,404,933)	
	$ 2,191,041		$ 1,668,473	

The College's investment strategy is to meet expenditure requirements within one year, investing such funds in liquid investments. Short-term investment guidelines are as follows:

a) Assure necessary cash flow.
b) Maximize rate of return.
c) Minimize risk of permanent capital impairment.
d) Preserve capital in nominal and real terms over the long term.
e) Generate a return which is competitive.

LAKELAND COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2002

Note 6 Cash and Investments (continued)

The balance of funds are invested for a longer term with a mix of maturities between one and ten years. Long term investments guidelines are as follows:

a) No more than 10% of total portfolio can be invested in any one Money market issue except those guaranteed by Government of Canada or the Province of Alberta.
b) No more than 20% of total portfolio can be invested in any one government bond issue except those issued by Government of Canada or the Province of Alberta.
c) No more than 10% of total portfolio in any one corporate bond issue.
d) No more than 10% of equity component to be invested in any one equity issue.
e) Quality constraint on Money market securities of at least a rating of R1 or A1 by the Canadian Bond Rating Service or Dominion Bond Rating Service.
f) Quality constraint on Provincial bonds of at least a rating of A low by a recognized bond rating service.

Within the investment portfolio, there are securities of $4,305,748 at a cost that are $1,567,470 in excess of market value. The carrying value of some of these securities has been written down to market value because management has concluded, based on review of market information for the securities, that there is indication of material impairment that is other than temporary. The provision for impairment for the current year is $2,481,190.

The rate of return on the investments for this fiscal year is (4.61%) (2001 1.21%)

Note 7 Capital Assets

Capital assets consist of:

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,515,348	$ -	$ 1,515,348	$ 1,515,348
Buildings	71,303,925	30,710,160	40,593,765	40,122,012
Site Improvements	17,097,457	7,780,123	9,317,334	9,172,826
Furniture & Equipment	8,204,065	5,290,274	2,913,791	2,566,268
Computers & Telecommunications Equipment	6,970,752	2,619,338	4,351,414	2,254,039
Facility Licence				
Buildings	5,254,016	792,278	4,461,738	4,624,675
Land	97,091	-	97,091	97,091
Vehicles	1,384,564	685,561	699,003	559,962
Leasehold Improvements	962,894	65,699	897,195	907,515
Milk Quotas	215,546	-	215,546	215,546
Library	3,187,709	2,249,960	937,749	1,005,553
	$ 116,193,367	$ 50,193,393	$ 65,999,974	$ 63,040,835

The Province of Alberta has been granted an option to purchase for $1 the whole or any part of the land, buildings and site improvements that it transferred to the College in 1982.

Note 8 Unearned Revenue

Unearned revenue consists of:

	2002	2001
Tuition and Residence fees	$ 472,941	$ 579,955
Contract Advances	1,120,077	539,764
Extension and Community education course fees	35,789	24,355
Projects & Programs	710	26,137
	$ 1,629,517	$ 1,170,211

LAKELAND COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2002

Note 9 Deferred Contributions

The deferred contributions balance represents amounts accounted for in accordance with the policy described in Note 2(b). Changes in deferred contributions are as follows:

	2002	2001
Restricted donations & contributions received during the year:		
Conditional grants	$ 3,087,747	$ 1,543,816
Scholarships	74,734	53,539
Interest on endowments (Note 17)	46,590	85,898
	3,209,071	1,683,253
Transferred to revenue:		
Conditional grants (Note 15)	(2,161,259)	(1,729,688)
Scholarships and bursaries	(131,308)	(164,669)
Transfer to development	-	(50,000)
	(2,292,567)	(1,944,357)
Increase (decrease) during the year	916,504	(261,104)
Balance at beginning of the year	1,169,420	1,430,524
Balance at end of the year	$ 2,085,924	$ 1,169,420
The balance consists of funds restricted for:		
Conditional programs	$ 1,808,419	881,931
Scholarships and bursaries	171,105	193,814
College development	106,400	93,675
	$ 2,085,924	$ 1,169,420

Note 10 Deferred Capital Contributions

The deferred capital contributions balance represents amounts accounted for in accordance with the policy described in Note 2(b). Changes in deferred capital contributions are as follows:

	2002	2001
Contributions received during the year	$ 1,022,526	$ 415,037
Transferred to unamortized deferred contributions (Note 11)	(1,054,089)	(1,025,564)
Balance at beginning of the year	500,807	1,111,334
Balance at end of the year	$ 469,244	$ 500,807

LAKELAND COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2002

Note 11 **Unamortized Deferred Capital Contributions**

Unamortized deferred capital contributions reflect transactions accounted for in accordance with the accounting policy described in Note 2(b).

	2002	2001
Transferred to Revenue	$ (2,608,519)	$ (2,860,868)
Transferred from deferred capital contributions (Note 10)	1,054,089	1,025,564
	(1,554,430)	(1,835,304)
Balance at the beginning of the year	50,704,646	52,539,950
Balance at the end of the year	$ 49,150,216	$ 50,704,646

Note 12 **Long-Term Debt**

	2002	2001
(a) Alberta Municipal Financing Corp	$ 3,000,000	$ -
(b) Bank Loans	690,924	792,256
(c) Finance Contracts	59,424	80,677
(d) Conditional Sales Contracts	30,500	41,264
(e) PeopleSoft	821,551	-
	4,602,399	914,197
Less: current portion	(534,183)	(127,797)
	$ 4,068,216	$ 786,400

(a) The AMFC loan is a 25 year debenture secured by residences with value of $2,150,920 and cash of $1,000,000. The debenture incurs interest at 6.5% per annum.

(b) The bank loans include the following:

One bank loan is payable in monthly installments of $9,171 including interest at a rate of 2.45%. The loan is secured with a general security agreement and an $800,000 term deposit owned by Lakeland College. The loan matures in 2010.

One bank loan is payable to the Bank of Nova Scotia in monthly installments of $586 including interest at a rate of 9.4%. The loan is secured by a lien on a service vehicle with a net book value of $17,889 and matures in 2005.

One bank loan, on employee computer purchases, payable to the Canadian Imperial Bank of Commerce, will be repaid in installments equal to bi-weekly payroll deductions of $769 including interest at a rate equal to the bank's prime rate plus 1%. The loan matures in 2003.

Note 12 Long-Term Debt (continued)

(c) The finance contracts are payable to the General Motors Acceptance Corporation in combined monthly installments of $1,849 including interest at a rate of 1.9%. The contracts are secured by liens on service vehicles with a net book value of $64,424 and mature in 2005.

(d) The bank loan, payable to the Canadian Imperial Bank of Commerce is payable in monthly installments of $897 plus interest at a rate equal to the bank's prime rate plus 0.75%. The contract is secured by a general security agreement and a lien on a service vehicle with a net book value of $33,201. The loan matures in 2005.

(e) The PeopleSoft loan is repayable at $18,500 per month for 5 years.

Aggregate annual payments of long-term debt are as follows:

2002-03	494,183
2003-04	482,459
2004-05	471,960
2005-06	444,415
2006-07 and subsequent	2,709,382
	$ 4,602,399

Note 13 Net Assets Internally Restricted by the Board

Net assets internally restricted by the Board represent amounts set aside by the College's Board of Governors to be used for the following designated purposes. These amounts are not available for other purposes without the approval of the Board.

	2002	2001
Major maintenance and equipment	$ 481,091	$ 4,292,150
Delivery initiatives	812,802	1,498,123
Other	-	2,570,788
Long term delivery initiatives	1,012,476	1,070,792
	$ 2,306,369	$ 9,431,853

Note 14 Endowments

External endowments consist of funds restricted for:

	2002	2001
Scholarships and bursaries	$ 894,652	$ 877,502
College development	420,089	420,089
	$ 1,314,741	$ 1,297,591

Note 15 Grants

Grant revenue consists of:

	2002		2001
	Budget	Actual	Actual
Alberta Learning			
General Operating	$ 15,642,582	$ 15,275,586	$ 14,720,049
Conditional (Note 9)	696,836	2,161,259	1,729,688
Energy Grant	-	-	357,210
Alberta Fire Training School	2,025,000	2,025,000	2,025,000
Province of Saskatchewan			
General Operating	702,550	704,418	705,438
	$ 19,066,968	$ 20,166,263	$ 19,537,385

Note 16 Sales, Rentals and Services

Revenue and direct expense for sales, rentals and services consists of:

	2002		2001
	Budget	Actual	Actual
Revenue:			
Residences	$ 1,883,670	$ 1,838,929	$ 1,423,331
Bookstores	818,700	892,686	830,442
Cafeterias	434,145	573,644	569,407
Conference Services	174,595	141,755	144,107
Printing	102,850	131,071	119,888
Swimming Pools	167,671	172,256	178,464
Other	125,300	156,984	240,484
	3,706,931	3,907,325	3,506,123
Direct Expenses:			
Residences	1,605,368	1,502,302	1,255,275
Bookstores	771,863	855,744	795,224
Cafeterias	468,746	571,126	598,513
Conference Services	172,451	121,531	157,148
Printing	26,471	24,327	22,987
Swimming Pools	223,893	254,782	249,536
Other	181,514	196,789	228,711
	3,450,306	3,526,601	3,307,394
Excess of Revenue over Direct Expenses	$ 256,625	$ 380,724	$ 198,729

LAKELAND COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2002

Note 17 **Investment Revenue**

	2002	2001
Investment Income	$ 485,405	$ 1,082,494
Less: amount transferred to deferred contributions (Note 9)	(46,590)	(85,898)
	$ 438,815	$ 996,596

Note 18 **Operating Expense**

Operating expense is summarized as follows:

	2002 Budget	2002 Actual	2001 Actual
Instruction	$ 15,348,245	$ 14,354,146	$ 12,012,981
Amortization of capital assets	3,740,000	4,503,690	4,025,824
(Gain) Loss on disposal of capital assets	-	596,548	(144,400)
Cost of sales, rental & services (Note 16)	3,450,305	3,526,601	3,307,394
Facility operations and maintenance	4,060,268	3,748,950	3,727,435
Academic support	2,758,271	4,009,822	3,439,081
Institutional support	5,436,760	8,270,420	5,024,980
Student services	2,862,728	2,350,660	1,730,427
Computing services	1,403,195	1,451,248	1,259,219
	$ 39,059,773	$ 42,812,085	$ 34,382,941

Instruction encompasses all formal education and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio-visual services. Institutional support includes all activities that provide institution-wide support to other programs such as the President's office, human resources and financial services. Student Services includes all activities and services for the student body.

LAKELAND COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2002

Note 19 Salaries and Benefits

The following information is prepared in accordance with Treasury Board Directive No. 12/98 and only includes salary and benefit information for the Board and Executive Management:

	2002				2001	
	Number of Individuals	Salaries (a)	Benefits & Allowances (b)	Total	Number of Individuals	Total
Chairman of Board	1	$ 6,960	$ 156	$ 7,116	1	$ 5,661
Other Board	17	60,412	816	61,228	21	50,257
		67,372	972	68,344		55,918
President	1	136,000	20,953	156,953	1	110,205
Chief Executive Officer, AFTS	1	96,731	14,625	111,356	1	104,592
VP Academics	1	101,400	16,344	117,744	1	108,226
VP Finance and Operations	1	95,698	15,439	111,137	1.3	128,713
Executive Director Strategic Initiatives	0.8	73,075	11,456	84,531	0	-
Executive Director Strathcona	0.3	20,907	3,778	24,685	0	-
VP College Dev	0.5	67,038	10,045	77,083	1	99,187
		590,849	92,640	683,489		550,923
Total Salaries & Benefits expense in year		$ 658,221	$ 93,612	$ 751,833		$ 606,841

(a) Salaries include regular pay, bonuses, overtime, lump sum payments and honoraria, but does not include any severance payments provided.

(b) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension plans, unemployment insurance, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, and long and short-term disability plans.

Note 20 Budget

The operating budget was approved by the Board of Governors on March 28, 2001 and the capital budget was approved on April 25, 2001. The operating budget does not include revenues and expenses for ad hoc programs negotiated subsequent to budget approval.

The approved capital budget provided $6,346,080 (actual $8,258,632) for acquisitions of capital assets.

Note 21 Lease Commitments

The College has the following operating lease commitments:

2002-03	137,954
2003-04	115,572
2004-05	100,459
2005-06	30,355
2006-07	30,355
	$414,694

Note 22 Related Party Transactions

Province of Alberta

The College is a Provincial Corporation as all the members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning. Transactions between the College and the Province are disclosed in Note 15 to these financial statements. In addition, the conditional grants deferred contribution balance includes $1,986,307 (2001 - $747,704) of conditional grants provided by the Province.

Note 23 Pension Liability and Expense

The College participates in the multi-employer pension plans, Management Employees Pension Plan and the Local Authorities Pension Plan. The expense for these pension plans is equivalent to the annual contributions of $771,738, for the year ended June 30, 2002 (2001 - $703,648).

At December 31, 2001, the Management Employees Pension Plan reported a surplus of $5,338,000 (2000 - $170,858,000) and the Local Authorities Pension Plan reported a surplus of $634,960,000 (2000 - $883,823,000).

Note 24 Subsequent Events

On June 24, 2002, by Order in Council and in accordance with a resolution of the Board of Governors of Lakeland College, the Province of Alberta approved the dissolution of the Alberta Fire Training School Inc., and the incorporation of "fire etc.", a wholly owned subsidiary of the Board of Governors of Lakeland College for the purposes of operating the School effective July 1, 2002.

Note 25 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

ALBERTA FIRE TRAINING SCHOOL INC.

Financial Statements

For year ended June 30, 2002

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Members of the Alberta Fire Training School Inc.

I have audited the statement of financial position of the Alberta Fire Training School Inc. (the "School") as at June 30, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the School's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the School as at June 30, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
September 12, 2002

ALBERTA FIRE TRAINING SCHOOL INC.

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2002

	2002	2001
ASSETS		
Current:		
Cash	$ 1,102,024	$ 1,308,923
Accounts receivable	841,960	685,815
Inventories (Note 3)	106,495	90,537
Prepaid expenses	40,380	32,896
Current portion of loans receivable (Note 4)	18,873	20,398
	2,109,732	2,138,569
Loans receivable (Note 4)	3,202	18,320
Capital assets (Note 5)	6,760,546	6,763,409
	$ 8,873,480	$ 8,920,298
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current:		
Accounts payable and accrued liabilities	701,349	676,677
Due to Lakeland College (Note 14)	395,722	820,338
Unearned revenue and deferred contributions (Note 6)	919,092	479,326
Current portion of long term debt (Note 9)	192,183	127,797
	2,208,346	2,104,138
Long term debt (Note 9)	787,295	938,954
Unamortized deferred capital contributions (Note 8)	5,664,830	5,576,121
Net assets		
Share capital (Note 10)	1	1
Unrestricted net assets	28,235	150,803
Invested in capital assets	184,773	150,281
	213,009	301,085
	$ 8,873,480	$ 8,920,298

The accompanying notes are part of these financial statements.

ALBERTA FIRE TRAINING SCHOOL INC.

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2002

	Budget 2002 (Note 15)	2002	2001
Revenues:			
Program fees	$ 2,945,614	**$ 3,147,295**	$ 2,866,208
Grants (Note 6)	2,210,546	**2,233,256**	2,092,555
Amortization of deferred capital contributions (Note 8)	308,416	**350,278**	311,287
Sales, rentals and services	-	**79,791**	31,203
Investments	30,000	**27,100**	46,687
Gain on disposal of assets	-	**4,000**	-
	5,494,576	**5,841,720**	5,347,940
Expenses:			
Salaries and benefits (Note 11)	2,488,060	**2,709,647**	2,436,642
Consulting fees	475,114	**555,394**	407,223
Corporate branding	148,000	**118,347**	6,166
Facilities costs	256,536	**264,651**	244,604
Vehicle expenses	54,213	**69,875**	63,514
Equipment costs	192,553	**212,860**	166,255
Implementation plan costs	110,000	**119,217**	396,687
Amortization of externally funded capital assets	308,416	**350,278**	311,287
Amortization of internally funded capital assets	91,584	**91,573**	58,090
Insurance	91,980	**99,168**	72,057
Printing costs	139,704	**117,214**	82,578
Program delivery	489,263	**550,986**	648,021
Administration	384,635	**324,338**	306,086
Subsidized student lodging	201,960	**140,097**	156,305
Other expenses	60,000	**147,369**	58,622
Interest and bank charges	12,870	**18,948**	14,934
Interest on long term debt	53,864	**39,834**	52,154
	5,558,752	**5,929,796**	5,481,225
Excess (deficiency) of revenues over expenses	$ (64,176)	**$ (88,076)**	$ (133,285)

The accompanying notes are part of these financial statements.

ALBERTA FIRE TRAINING SCHOOL INC.

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002

	2002				2001
	Unrestricted	Invested in Capital Assets	Share Capital	Total	Total
Excess (deficiency) of revenues over expenses	$ (88,076)	-	-	$ (88,076)	(133,285)
Transfers:					
Amortization of internally funded capital assets	91,573	(91,573)	-	-	-
Repayment of loans	(126,065)	126,065	-	-	-
Increase (decrease) in net assets	(122,568)	34,492	-	(88,076)	(133,285)
Balance at beginning of year	150,803	150,281	1	301,085	434,370
Balance at end of year	$ 28,235	$ 184,773	$ 1	$ 213,009	$ 301,085

The accompanying notes are part of these financial statements.

ALBERTA FIRE TRAINING SCHOOL INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

	2002	2001
Cash flows from (used in) operating activities:		
Cash receipts from customers	$ 3,560,674	$ 2,860,866
Cash paid to suppliers and employees	(5,850,968)	(4,241,802)
Grants received	2,180,279	2,047,506
Investment income received	30,109	41,532
Interest paid	(60,363)	(62,708)
Cash provided from (used in) operating activities	(140,269)	645,394
Cash flow from investing activities:		
Amounts collected from employees	19,023	5,303
Loans advanced to employees	(2,380)	(44,021)
Proceeds from sale of assets	4,000	-
Purchased capital assets	(438,987)	(372,355)
Cash used in investing activities	(418,344)	(411,073)
Cash flows from financing activities:		
Proceeds from loans to acquire capital assets	-	313,285
Proceeds from loans for computer loan program	1,454	29,745
Proceeds from note payable	45,000	-
Repayment of long term debt	(133,727)	(104,764)
Capital contributions received (Note 7)	438,987	184,410
Cash provided from financing activities	351,714	422,676
Increase (decrease) in cash	(206,899)	656,997
Cash, beginning of year	1,308,923	651,926
Cash, end of year	$ 1,102,024	$ 1,308,923

The accompanying notes are part of these financial statements.

ALBERTA FIRE TRAINING SCHOOL INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Note 1 Authority and Purpose

Alberta Fire Training School Inc. (the "School") was incorporated under the Alberta Business Corporations Act, Section 6 on February 27, 1998 as a not-for-profit organization and is exempt from taxes under the Income Tax Act. The School, in cooperation with clients and partners, provides quality competitive emergency service training programs and services through leadership, standardization and innovation.

As described in Note 17, the assets, liabilities, and the operations of the School will be transferred to a new corporation, "fire etc.", effective July 1, 2002.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

The School, a wholly owned subsidiary of Lakeland College (the "College"), began operations on April 1, 1998.

(b) Revenue Recognition

i) Operating grants from the College are recorded as revenue in the period they become receivable.

ii) Amounts received for program fees and the sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

iii) Capital grants from the College and capital donations are recorded as deferred capital contributions until the amounts are invested in capital assets. Amounts invested representing funded capital assets are transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense for the funded capital assets is recorded.

iv) Externally restricted non-capital contributions are deferred and recognized as revenue in the year when related expenses are incurred.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

v) Capital assets contributed, or restricted contributions for the purchase of capital assets, which will not be amortized, are recorded as direct increases to net assets invested in capital assets.

vi) Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can reasonably be determined.

(c) Capital Assets

The land and buildings, which house the School, were transferred to the College from the Department of Infrastructure (Infrastructure) on March 31, 1998. The remaining useful life of the buildings at the time of transfer was 3 to 37 years.

A renewable facility license agreement has been granted to the School for use of the College assets. The facility license, providing the right to use the buildings and land, has been recorded as an asset of the School at fair value. Fair value is estimated as Infrastructure's net book value at time of transfer to the College.

Subsequent additions are recorded as leasehold improvements at cost.

Furnishings and equipment are recorded at cost, except for donated assets, which are recorded at fair value.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Facility license - buildings	3 to 37 years
Furniture and equipment	10 years
Computers and telecommunication equipment	5 years
Service vehicles	5 years
Leasehold improvements	30 to 32 years

(d) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(e) Employee future benefits

The School participates in the Management Employees Pension Plan and Local Authorities Pension Plan. These pension plans are multi-employer defined benefit plans that provide pensions for the School's employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the period based on rates which are expected to provide for benefits payable under the respective pension plans. The School's portion of the pension plans' deficit or surplus is not recorded by the School.

(f) Measurement Uncertainty

The financial statements by their nature contain estimates and are subject to measurement uncertainty. For example, the amounts recorded for amortization of capital assets and amortization of deferred capital contributions are based on estimates of the useful lives of the related assets. In addition, a Goods and Services tax proposal of assessment by Canada Customs and Revenue Agency has resulted in the recording of a liability that is under dispute. The effect on the financial statements of changes in such estimates could be significant.

(g) Financial Instruments

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair market values because of the short-term nature of these items.

The Canadian Imperial Bank of Commerce loans in the amount of $54,037 bear interest which fluctuates with the Bank of Canada prime rate, thus exposing the organization to interest rate fluctuations.

ALBERTA FIRE TRAINING SCHOOL INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Note 3 Inventories

Inventories consist of:

	2002	2001
Firefighting agents	$ 67,115	$ 60,589
Fuels	35,555	29,948
Consumables	3,825	-
	$ 106,495	$ 90,537

Note 4 Loans Receivable

	2002	2001
Employee loans receivable	$ 22,075	$ 38,718
Less: current portion	(18,873)	(20,398)
	$ 3,202	$ 18,320

The loans are receivable from employees in bi-weekly installments of $769 including interest at a rate of 8.5% per annum. The advances were made under the provisions of an employee computer purchase program with installments made through payroll deductions.

Aggregate annual maturities of long term loans receivable follow:

2003	$ 18,873
2004	3,202
2005	-
2006	-
2007 and subsequent	-
	$ 22,075

Note 5 Capital Assets

Capital assets consist of:

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Facility License				
Buildings	$ 5,254,016	$ 792,278	$ 4,461,738	$ 4,624,675
Land	97,091	-	$ 97,091	97,091
Furniture and equipment	914,561	241,365	$ 673,196	579,725
Computers and telecommunications equipment	663,391	222,027	$ 441,364	298,569
Leasehold improvements	962,894	65,699	$ 897,195	907,515
Service vehicles	329,361	139,399	$ 189,962	255,834
	$ 8,221,314	$ 1,460,768	$ 6,760,546	$ 6,763,409

Note 6 Unearned Revenue and Deferred Contributions

Unearned revenue and deferred contributions amounts represent amounts accounted for in accordance with the accounting policy described in Note 2 (b)(ii) & (iv).

	2002	2001
Deferred contributions	$ 81,250	$ 134,227
Unearned revenue	837,842	345,099
	$ 919,092	$ 479,326

Note 6 Unearned Revenue and Deferred Contributions (continued)

The deferred contribution balance is comprised of the following:

	2002	2001
Amounts received from:		
Alberta Learning	$ 2,025,000	$ 1,490,903
Alberta Municipal Affairs	100,000	450,000
Alberta Safety Codes Council	-	30,000
Human Resources Development Canada	55,279	1,773
	$ 2,180,279	$ 1,972,676
Amounts recognized as revenue:		
Grants	(2,025,000)	(1,490,903)
Grant for implementation plan	(48,270)	(351,730)
Conditional grants	(159,986)	(249,922)
	(2,233,256)	(2,092,555)
Change during the year	$ (52,977)	$ (119,879)
Balance at beginning of year	134,227	254,106
	$ 81,250	$ 134,227

Unspent amounts at the end of the period are restricted for the following purposes:

	2002	2001
Current:		
Safety Codes Officer Training Initiative	81,250	53,088
Implementation plan	-	48,270
Learning Enhancement Envelope	-	3,923
Fire Safety Codes Officer Level 1 Investigator/Inspector training material	-	28,946
	$ 81,250	$ 134,227

ALBERTA FIRE TRAINING SCHOOL INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Note 7 Deferred Capital Contributions

The deferred capital contribution balance represents amounts accounted for in accordance with the policy described in Note 2(b)(iii). Changes in deferred capital contributions are as follows:

	2002	2001
Balance at beginning of year	$ -	$ -
Capital grants received during the year	438,987	184,410
Transferred to unamortized deferred capital contributions (Note 8)	(438,987)	(184,410)
Balance at end of year	$ -	$ -

Note 8 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions reflect transactions accounted for in accordance with the accounting policy described in Note 2(b)(iii).

	2002	2001
Balance at beginning of year	$ 5,576,121	$ 5,702,998
Transferred from deferred capital contributions (Note 7)	438,987	184,410
Transferred to revenue	(350,278)	(311,287)
Balance at end of year	$ 5,664,830	$ 5,576,121

ALBERTA FIRE TRAINING SCHOOL INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Note 9 Long Term Debt

Details of long term debt and security held follow:

	2002			2001
	Total	**Current portion**	**Long term portion**	Long term portion
(a) Bank loan	**$ 650,870**	**$ 95,164**	**$ 555,706**	$ 662,727
(b) Note Payable	**153,630**	**31,000**	**122,630**	161,471
(c) Bank loan	**16,517**	**5,716**	**10,801**	16,517
(d) Finance contracts	**59,424**	**21,245**	**38,179**	59,432
(e) Conditional sales contract	**30,500**	**10,764**	**19,736**	30,500
(f) Bank loan	**23,537**	**19,294**	**4,243**	8,307
(g) Note payable	**45,000**	**9,000**	**36,000**	-
	$ 979,478	**$ 192,183**	**$ 787,295**	$ 938,954

(a) The bank loan is payable in monthly installments of $9,171 including interest at a rate of 2.45%. The loan is secured with a general security agreement and an $800,000 term deposit owned by Lakeland College. The loan matures in 2010.

(b) The note is payable to Lakeland College in annual installments of $31,000 plus interest at a rate of 4% per annum. The note is unsecured and matures in 2007.

(c) The bank loan is payable to the Bank of Nova Scotia in monthly installments of $586 including interest at a rate of 9.4%. The loan is secured by a lien on a service vehicle with a net book value of $17,889 and matures in 2005.

(d) The finance contracts are payable to the General Motors Acceptance Corporation in combined monthly installments of $1,849 including interest at a rate of 1.9%. The contracts are secured by liens on service vehicles with a net book value of $64,424 and mature in 2005.

ALBERTA FIRE TRAINING SCHOOL INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Note 9 Long Term Debt (continued)

(e) The bank loan, payable to the Canadian Imperial Bank of Commerce is payable in monthly installments of $897 plus interest at a rate equal to the bank's prime rate plus 0.75%. The contract is secured by a general security agreement and a lien on a service vehicle with a net book value of $33,201. The loan matures in 2005.

The proceeds for all the above loans were used to acquire capital assets.

(f) The bank loan, on employee computer purchases, payable to the Canadian Imperial Bank of Commerce, will be repaid in installments equal to bi-weekly payroll deductions of $769 including interest at a rate equal to the bank's prime rate plus 1%. The loan matures in 2003.

(g) The note is payable to Lakeland College in annual installments of $9,000 plus interest at a rate of 4% per annum. The note is unsecured and matures in 2007.

Aggregate annual maturities of long term debt follow:

2003	$ 192,183
2004	180,459
2005	169,960
2006	142,415
2007 and subsequent	294,461
	$ 979,478

Note 10 Share Capital

	2002	2001
Authorized:		
Unlimited number of voting common shares		
Issued:		
100 common shares	$ 1	$ 1

ALBERTA FIRE TRAINING SCHOOL INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Note 11 Salaries and Benefits

	2002			2001		
	Salary (a)	**Benefits and Allowances (b)**	**Total**	Salary (a)	Benefits and Allowances (b)	Total
Chairman of the Board	**$ 6,310**	**$ 230**	**$ 6,540**	$ 6,039	$ 188	$ 6,227
Board Members	**22,182**	**524**	**22,706**	37,357	993	$ 38,350
Chief Executive Officer	**96,731**	**14,625**	**111,356**	93,199	13,139	$ 106,338
Managers, Operations (4)	**246,008**	**29,546**	**275,554**	190,262	19,458	$ 209,720
Manager, Course Development and Accreditation	**71,277**	**9,098**	**80,375**	63,000	8,296	$ 71,296

(a) Salaries include regular pay, bonuses, overtime, lump sum payments and honoraria.

(b) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension plans, unemployment insurance, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance and disability plans.

(c) The salary and benefit disclosure is provided pursuant to Treasury Board Directive 12/98 and includes only the salaries and benefits of those individuals in the senior decision making group of the School.

Note 12 Pensions Expense

The School participates in multi-employer pension plans, the Management Employees Pension Plan and Local Authorities Pension Plan. The expense for these pension plans is equivalent to the aggregate contributions of $92,543 for the year ending June 30, 2002, and $72,324 for the year ended June 30, 2001.

At December 31, 2001, the Management Employees Pension Plan reported a surplus of $5.34 million (2000 $170.9 million restated) and the Local Authorities Pension Plan reported a surplus of $635.0 million (2000 $883.8 million).

Note 13 Lease Commitments

The School has the following operating lease commitments:

2003	$	6,637
2004		6,127
2005		6,127
2006		6,127
2007 and subsequent		3,064
	$	28,082

Note 14 Related Party Transactions

Lakeland College

The School is a wholly owned subsidiary of the College with four of the seven members of the Board of Governors appointed by the College. Effective April 1, 1998 capital assets of $5,585,183 were transferred from the College to the School, (see Note 2(c)). Transactions during the period between the School and the College, measured at the exchange amount, are summarized as follows:

	2002	2001
Operating Grants from the College	$ 2,025,000	$ 1,490,903
LEE Grant	3,923	94,064
Supplies, Goods and Services purchased from the College	518,676	207,851
Service Fees received from the College	108,368	177,400
Capital Grants	438,987	184,410
As at the date of the Statement of Financial Position, the school had:		
Accounts payable to the College	-	47,340
Accounts receivable from the College	-	106,125
Due to Lakeland College	395,722	820,338
Notes payable	198,630	161,471

Note 15 Budget

On February 11, 2002, the Board of Directors approved a revenue and expense budget by program and department for the year ended June 30, 2002.

Note 16 Economic Dependence

During the year, the School recognized $2,025,000 (2001 $1,490,903) in grant revenue from Lakeland College. The School is economically dependent on the College for grant revenue in order to maintain its ability to continue viable operations and services.

ALBERTA FIRE TRAINING SCHOOL INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Note 17 Subsequent Events

Effective July 1, 2002, by Order in Council dated June 25, 2002 and in accordance with a resolution of the Board of Governors of Lakeland College, the Province of Alberta approved the dissolution of the Alberta Fire Training School Inc., and the incorporation of "fire etc.", a wholly owned subsidiary of the Board of Governors of Lakeland College for the purposes of operating the School.

Note 18 Approval of Financial Statements

These financial statements were approved by the Board of Directors of the Alberta Fire Training School Inc.

LETHBRIDGE COMMUNITY COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Revenue and Expense

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of
Lethbridge Community College

I have audited the consolidated statement of financial position of Lethbridge Community College as at June 30, 2002 and the consolidated statements of revenue and expense, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
September 20, 2002

LETHBRIDGE COMMUNITY COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2002

	2002	2001
ASSETS		
Current:		
Cash and investments (Note 3)	$ 61,405	$ 5,273,818
Accounts receivable (Note 4)	1,218,811	1,534,803
Accrued investment income	60,805	59,757
Inventories (Note 5)	733,351	737,232
Prepaid expenses	311,940	286,133
	2,386,312	7,891,743
Non-current cash and investments (Note 3)	12,250,749	14,064,550
Capital assets (Note 6)	51,204,788	41,369,372
	$ 65,841,849	$ 63,325,665
LIABILITIES AND NET ASSETS		
Current:		
Bank overdraft	$ 886,348	$ -
Accounts payable and accrued liabilities	2,471,780	2,583,225
Accrued vacation pay	709,449	607,366
Unearned revenue (Note 7)	813,036	914,186
Deferred contributions (Note 8)	2,962,026	2,892,977
Current portion of debenture payable (Note 10)	125,909	118,642
	7,968,548	7,116,396
Deferred capital contributions (Note 8)	1,481,875	8,060,767
Debenture payable (Note 10)	6,380,449	6,506,358
Unamortized deferred capital contributions (Note 11)	37,939,626	30,562,860
	45,801,950	45,129,985
	53,770,498	52,246,381
Net assets:		
Internally restricted (Note 12)	1,762,927	990,626
Investment in capital assets (Note 6)	6,758,804	6,944,533
Endowments (Note 13)	3,549,620	3,144,125
	12,071,351	11,079,284
Commitments and contingencies (Note 21)		
	$ 65,841,849	$ 63,325,665

The accompanying notes are part of these financial statements.

LETHBRIDGE COMMUNITY COLLEGE
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2002

	2002		2001
	Budget (Note 22)	Actual	Actual
Revenue:			
Grants (Note 14)	$ 23,627,501	$ 24,403,161	$ 21,546,373
Tuition and related fees	13,104,464	11,942,804	12,253,751
Sales, rentals and services (Note 15)	6,315,746	6,147,664	5,623,495
Contract programs	1,302,811	1,595,686	1,778,911
Investment income (Note 16)	420,704	380,603	578,080
Donations	213,128	162,399	241,082
Amortization of deferred capital contributions (Note 11)	3,135,000	3,191,336	3,124,091
	48,119,354	47,823,653	45,145,783
Expense (Note 17):			
Salaries and benefits (Note 18)	31,016,611	32,230,456	29,430,120
Supplies and services	7,096,217	6,789,442	7,575,307
Cost of sales, rentals and services (Note 15)	2,939,328	2,944,498	3,245,646
Utilities	1,360,342	1,251,443	1,274,423
Scholarships and bursaries	77,000	113,334	101,608
Debenture interest	524,242	243,270	-
Amortization of capital assets	3,660,375	3,592,555	3,603,509
	46,674,115	47,164,998	45,230,613
Excess (deficiency) of revenue over expense	$ 1,445,239	$ 658,655	$ (84,830)

LETHBRIDGE COMMUNITY COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002

	2002					2001
	Unrestricted	Internally Restricted (Note 12)	Investment in Capital Assets (Note 6)	Restricted for Endowment Purposes (Note 13)	Total	Total
Balance at beginning of year	$ -	$ 990,626	$ 6,944,533	$ 3,144,125	$ 11,079,284	$ 10,868,935
Excess (deficiency) of revenue over expense	658,655	-	-	-	658,655	(84,830)
Net assets restricted by the Board	(772,301)	772,301	-	-	-	-
Capital assets acquired from internal funds	(112,057)	-	112,057	-	-	-
Amortization of internally funded capital assets	416,428	-	(416,428)	-	-	-
Repayment of debenture related to capital assets	(118,642)	-	118,642	-	-	-
Transfer to endowments	(72,083)	-	-	72,083	-	-
Endowment contributions received	-	-	-	333,412	333,412	295,179
Balance at end of year	$ -	$ 1,762,927	$ 6,758,804	$ 3,549,620	$ 12,071,351	$ 11,079,284

LETHBRIDGE COMMUNITY COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

	2002		2001
	Budget	Actual	Actual
Cash flows generated from operating activities:			
Excess (deficiency) of revenue over expense	$ 1,445,239	$ 658,655	$ (84,830)
Amortization of capital assets	3,660,375	3,592,555	3,603,509
Amortization of deferred capital contributions	(3,135.000)	(3,191,336)	(3,124,091)
	1,970.614	1,059,874	394,588
Changes in non-cash working capital:			
Accounts receivable	-	315,992	(370,513)
Accrued investment income	-	(1,048)	4,595
Inventories	-	3,881	(104,608)
Prepaid expenses	-	(25,807)	(66,797)
Accounts payable and accrued liabilities	-	(111,445)	1,862,998
Accrued vacation pay	-	102,083	(21,952)
Unearned revenue	-	(101,150)	67,031
Deferred contributions	42.750	69,049	752,158
	42.750	251,555	2,122,912
	2,013.364	1,311,429	2,517,500
Cash flows used by investing activities:			
Acquisition of capital assets:			
From internal funds	(383.453)	(112,057)	(1,980,902)
From deferred contributions	(10,538.019)	(10,568,102)	(2,726,919)
From debenture funds	(3,916.307)	(2,763,021)	(3,861,979)
Proceeds from disposal of capital assets	-	15,209	8,375
Decrease (increase) in non-current cash and investments	(604.536)	1,813,801	(3,819,229)
Amount recovered from the Co-operative Aquaculture Research Project	-	-	264,708
	(15,442,315)	(11,614,170)	(12,115,946)
Cash flows generated from financing activities:			
Capital contributions received	4,792,971	3,989,210	9,604,114
Debenture for construction purposes	-	-	6,625,000
Debenture principal repayment	-	(118,642)	-
Endowment contributions received	-	333,412	295,179
	4,792,971	4,203,980	16,524,293
Increase (decrease) in current cash and investments, net of change in bank overdraft	(8,635,980)	(6,098,761)	6,925,847
Current cash and investments, net of bank overdraft, beginning of year	5,273,818	5,273,818	(1,652,029)
Current cash and investments, net of bank overdraft, end of year	$ (3,362.162)	$ (824,943)	$ 5,273,818

LETHBRIDGE COMMUNITY COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002

Note 1 Authority and Purpose

Lethbridge Community College was established as a board governed institution on April 17, 1957. The College operates under the authority of the Colleges Act. Chapter C-19, revised Statutes of Alberta 2000. The College provides educational programs to serve the career education and training needs of students and employers and to respond to personal and community development needs through an extensive offering of general interest courses and public service outreach activities. The College is a registered charity and is exempt from payment of income tax.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidated Statements

These consolidated financial statements include the accounts of Lethbridge Community College Foundation ("the Foundation"), which operates under the Companies Act of Alberta. The Foundation solicits, receives and administers donations for the advancement of the College. Certain administrative services are provided by the College without charge to the Foundation. The Foundation is a registered charity and is exempt from payment of income tax.

The accounts of the two organizations have been consolidated to reflect the financial position and results of operations as though they were a single economic entity. Inter-entity balances and transactions have been eliminated on consolidation.

(b) Revenue Recognition

Operating contributions, including grants from the Province of Alberta, are recognized as revenue in the period when they become receivable. Operating contributions received for a future period are reported as deferred contributions and recognized as revenue in the subsequent period.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Capital contributions, including capital grants from the Province of Alberta, are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate that the related amortization expense has been funded. Capital contributions invested in capital assets that will not be amortized are recognized as direct increases in net assets.

Externally restricted non-capital contributions and externally restricted interest earned on non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by external parties. If the contributors stipulate that the amounts cannot be expended, as is the case with endowments, the contributions are recorded as direct increases in net assets.

Donations which are not externally restricted are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Pledges are recorded in the year the donation is received.

Amounts received for tuition fees and sale of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

(c) Net Assets Internally Restricted

Net assets internally restricted represent amounts set aside by the College Board of Governors, or by the Foundation Board of Directors, to be used for designated purposes.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Investments

Temporary investments are recorded at the lower of cost or market value.

Investments intended to be held for longer term are recorded at cost. Gains and losses on investments are recognized as realized or when there is a significant and other than temporary impairment in the value of the investment.

(e) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(f) Capital Assets

Capital assets are recorded at cost. Donated assets are recorded at fair value at the time of the donation.

Capital assets are amortized on a straight-line basis as follows:

Buildings and site improvements	40 years
Leasehold improvements	Period of lease
Furnishings and equipment	10 years
Library	10 years
Motor vehicles	5 years
Computer equipment and systems software	5 years
Audio and visual equipment	2 years

The permanent art collection is recorded at the appraised value at the time of donation. The permanent art collection is not amortized. The collection is made up of numerous pieces of art that are held for display at the College.

Construction projects in progress are not amortized until the project is complete.

Interest directly attributable to construction projects is capitalized until the project is substantially completed.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's surplus or deficit is not recorded in the accounts.

(h) Financial Instruments

The carrying values of cash, accounts receivable, accrued investment income, accounts payable and accrued vacation pay approximate their fair values because of the short-term maturities of these items. Fair value of non-current cash and investments is disclosed in Note 3.

(i) Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Note 3 Cash and Investments

The Board of Governors has approved an investment strategy with primary investment objectives being the preservation of capital and the generation of a competitive total return. The investment policy provides guidelines on the asset mix, diversification, quality and nature of securities, and the term of the fixed income securities. The guidelines are as follows:

a) Asset Class

Cash equivalents	from 0% to 60% of total portfolio
Fixed income securities	from 40% to 80% of total portfolio
Equities	from 0% to 50% of total portfolio

To measure investment performance and identify the return attributed to the asset mix and asset selection decisions, the College has established a portfolio benchmark of 5% cash equivalents, 60% fixed income securities and 35% equities. Further, it measures cash equivalent returns against the return from the historical treasury bill rate over a rolling four year period, fixed income returns against the return for the Scotia McLeod Universe Index, and equity returns against the return for the TSX 300 Index, S&P 500 Index for U.S. equities and the Morgan Stanley Capital International, Europe, Australia and Far East Index for international equities.

b) Diversification

No more than 10% of the total portfolio will be invested in any one money market issuer other than investments in issuers with a minimum BBB rating as defined by a recognized bond rating service or those guaranteed by the Government of Canada or the Province of Alberta. With these conditions, the maximum investment may be extended to 20% of the total portfolio. No more than 10% of the portfolio will be invested in any one government bond issue other than the Government of Canada or the Province of Alberta. A 30% maximum is placed on any single industry investment and a 4% maximum on any single issuer in the private sector.

Note 3 Cash and Investments (continued)

c) Quality and Nature of Securities

All money market securities will be rated "R-1" or equivalent by the Canadian Bond Rating or the Dominion Bond Rating Services. All corporate and government bonds will carry a rating of a minimum equivalent BBB rating by a recognized bond rating service.

	2002		2001	
	Cost	Fair Value(i)	Cost	Fair Value
Cash and temporary investments:				
Cash	$ 363,078	$ 363,078	$ 9,214,844	$ 9,214,844
Fixed income:(ii)				
Federal guaranteed bonds	1,983,432	1,963,053	1,817,768	1,773,020
Provincial guaranteed bonds	1,110,851	1,133,134	609,276	596,518
Corporate bonds	2,957,763	3,017,294	3,203,878	3,172,778
Foreign currencies bonds	1,324,064	1,340,422	1,230,251	1,127,419
	7,376,110	7,453,903	6,861,173	6,669,735
Equities:(i)				
Canadian	1,258,042	1,458,406	1,031,526	1,216,500
Foreign	3,314,924	2,813,882	2,230,825	2,072,596
	4,572,966	4,272,288	3,262,351	3,289,096
	12,312,154	12,089,269	19,338,368	19,173,675
Less amounts not available for current purposes	12,250,749	12,027,864	14,064,550	13,899,857
Cash and investments	$ 61,405	$ 61,405	$ 5,273,818	$ 5,273,818

(i) On a total basis, the market value of all investments is $222,885 less than cost. Within the investment portfolio, equities, at market value of $4,272,288, are $300,678 less than cost. The carrying value of certain securities have been written down to market value because management has concluded, based on review of market information, that there is indication of material permanent impairment that is other than temporary. The write down of $215,649 in investment cost is netted against investment income on the statement of revenue and expense and a reduction in the value of non-current cash and investments on the statement of financial position. The carrying values of the remaining securities have not been written down to market value as management has concluded that there is no obvious indication of material impairment that is other than temporary.

(ii) The terms of the bond portfolio range from 1 year to 9 years with an average term to maturity of 5 years (2001 - 10 years). The average effective yield on the bond portfolio is 6.04% (2001 - 6.16%).

Note 4 Accounts Receivable

	2002	2001
Contracts programs	$ 319,619	$ 396,957
Province of Alberta:		
Alberta Learning	187,975	181.161
Alberta Infrastructure	4,177	16,786
Other Alberta Government departments	118,274	205,349
Tuition fees	163,263	160,803
Other	425.503	573,747
	$ 1,218.811	$ 1.534,803

Note 5 Inventories

	2002	2001
Bookstore	$ 396,430	$ 395,687
Aquaculture	129,392	134,627
Printing	103,742	101,365
Cafeteria	49,958	42,395
Distance Education Centre	10,634	22,698
Other	43,195	40,460
	$ 733.351	$ 737,232

Note 6 Capital Assets

a) Summary of Cost and Net Book Value

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 432,465	$ -	$ 432,465	$ 432,635
Building and site improvements(i)	75,598,674	38,819,315	36,779,359	32,620,542
Leasehold improvements	49,826	49,826	-	-
Furnishings and equipment	10,482,401	8,680,319	1,802,082	1,202,519
Library	1,138,485	935,100	203,385	186,100
Motor vehicles	757,977	630,443	127,534	117,309
Computer equipment and systems software	7,821,781	6,465,986	1,355,795	1,688,002
Audio and visual equipment	487,617	473,857	13,760	13,412
Permanent art collection	370,749	-	370,749	370,749
	97,139,975	56,054,846	41,085,129	36,631,268
Construction in progress	10,119,659	-	10,119,659	4,738,104
	$ 107,259,634	$ 56,054,846	51,204,788	41,369,372
Less: Construction financed by debenture			6,506,358	3,861,979
Unamortized deferred capital contributions			37,939,626	30,562,860
Net investment in capital assets			$ 6,758,804	$ 6,944,533

(i) During the year, interest incurred on debenture payable during the construction phase in the amount of $123,766 (2001 - $47,634) was capitalized as part of building and site improvements.

b) Capital Acquisitions

Capital acquisitions during the year included certain donations in kind at fair value of $9,742 (2001 - $52,697).

Note 7 Unearned Revenue

	2002	2001
Contract programs	$ 494,681	$ 496,096
Tuition fees	231,634	316,791
Other	86,721	101,299
	$ 813,036	$ 914,186

At June 30, 2002, the College has received commitments from students for 2002 - 2003 tuition fees, in addition to the above tuition fees, amounting to $3,222,385.

Note 8 Deferred Contributions and Deferred Capital Contributions

Deferred contributions represent donations and contributions received relating to future years and unspent funds for externally restricted purposes. Changes in the balances are as follows:

	2002	2001
Contributions received:		
Grants, Province of Alberta	$ 4,260,000	$ 9,345,965
Other contributions	819,191	1,858,570
Investment income on net assets externally restricted for endowment purposes (Note 16)	106,718	146,248
Transferred to:		
Grants, Province of Alberta	(858,533)	(607,181)
Donations	(162,399)	(241,082)
Investment income (Note 16)	(106,718)	(146,248)
Unamortized deferred capital contributions (Note 11)	(10,568,102)	(2,726,919)
Increase (decrease) during the year	(6,509,843)	7,629,353
Balance at beginning of year	10,953,744	3,324,391
Balance at end of year	$ 4,443,901	$10,953,744

The balances at end of year represent funds held for the following purposes:

	2002	2001
Deferred contributions:		
Conditionally funded projects	$ 1,337,780	$ 1,055,565
Access program support	793,623	1,029,252
Scholarships, awards and bursaries	819,855	783,357
Other	10,768	24,803
	2,962,026	2,892,977
Deferred capital contributions:		
Conditionally funded projects: Buildings	1,359,685	7,807,483
Furniture and Equipment	93,359	179,203
Endowment earnings	28,831	74,081
	1,481,875	8,060,767
	$ 4,443,901	$10,953,744

Note 9 Pension Costs

The College participates in the Local Authorities Pension Plan which is a multi-employer defined benefit plan. The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $1,188,507 for the year ended June 30, 2002 (2001 - $1,012,816).

At December 31, 2001, the Local Authorities Pension Plan reported a surplus of $634,960,000 (2000 - $883,823,000).

Note 10 Debenture Payable

The College Board received approval of the Lieutenant Governor in Council to borrow funds from the Alberta Municipal Finance Corporation (the "AMFC") to finance the campus residence expansion project. A $6,625,000 debenture (the "debenture") dated February 23, 2001, was issued by the College in favor of AMFC. The debenture is secured by a security agreement dated February 23, 2001 between the College and AMFC pursuant to which the College granted, in favor of AMFC, a security interest in all present and after acquired intangibles, accounts, monies, book debts, instruments, claims or rights and insurance proceeds.

The debenture, bearing interest at the rate of 6.125% per annum, is to be repaid in twenty-five (25) consecutive annual installments of $524,424, principal and interest, commencing on March 1, 2002.

	2002	2001
Debenture payable	$ 6,506,358	$ 6,625,000
Less current portion	125,909	118,642
	$ 6,380,449	$ 6,506,358

The aggregate maturities of principal required over the next five years and to maturity are as follows:

2003	$ 125,909
2004	133,621
2005	141,805
2006	150,491
2007	159,709
Thereafter	5,794,823
Total	$6,506,358

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the amounts invested in capital assets which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2002	2001
Balance at beginning of year	$ 30,562,860	$ 30,960,032
Add amount transferred from deferred contributions (Note 8)	10,568,102	2,726,919
Less amount amortized to revenue	(3,191,336)	(3,124,091)
Balance at end of year	$ 37,939,626	$ 30,562,860

Note 12 Net Assets Internally Restricted

Net assets internally restricted are held for the following purposes:

	Balance at Beginning of Year	Transfers to and from Unrestricted Net Assets Deduct Funds Returned	Transfers to and from Unrestricted Net Assets Add Funds Appropriated	Balance at End of Year
Staff and program development	$ 508,261	$ 811,529	$ 1,032,806	$ 729,538
Foundation general reserve	32,095	1,074,982	1,060,415	17,528
College funded scholarships endowment earnings	126,332	8,700	11,122	128,754
Other endowment earnings	105,597	32,935	15,167	87,829
International education	71,450	-	-	71,450
Kodiak Team fund	49,503	58,647	65,071	55,927
Other	751	547	745	949
	893,989	1,987,340	2,185,326	1,091,975
Capital replacement	96,637	1,870,142	2,444,457	670,952
	$ 990,626	$ 3,857,482	$ 4,629,783	$ 1,762,927

The net transfer from Unrestricted Net Assets for the year ended June 30, 2002 comprises:

Funds returned	$ 3,857,482
Funds appropriated	4,629,783
	$ (772,301)

Note 13 Endowments

Endowments consist of restricted donations to the College and internal allocations by the Board of Governors, the principal of which is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Endowments comprise the following:

	2002			2001
	Externally Funded	Internally Funded	Total	Total
Ronald Tiffin Agricultural Endowment Fund	$ 1,110,977	$ 177,482	$ 1,288,459	$ 1,238,449
Scholarships	1,633,886	72,434	1,706,320	1,372,906
Kodiak Athletics Fund	205,402	60,024	265,426	252,646
Talbot Education Fund	115,564	34,081	149,645	145,845
Industrial Technology Fund	62,500	21,991	84,491	81,465
Native Canadian Fund	28,200	13,619	41,819	39,954
Environmental Fund	9,104	4,356	13,460	12,860
	$ 3,165,633	$ 383,987	$ 3,549,620	$ 3,144,125

Note 14 Grants

Grant revenue consists of amounts received from the following sources:

	2002		2001
	Budget (Note 22)	Actual	Actual
Alberta Learning	$ 22,201,481	$ 22,428,878	$ 19,401,991
Alberta Infrastructure	-	489,706	539,177
Other Alberta Government departments	998,291	829,042	1,152,703
Other sources	427,729	655,535	452,502
	$ 23,627,501	$ 24,403,161	$ 21,546,373

Note 15 Sales, Rentals and Services

Sales, rentals and services revenue and direct expense are summarized as follows:

	2002					2001
		Direct Expense				
	Revenue	Cost of Sales	Other	Total Direct Expense	Net	Net
Sales, rentals and non-ancillary services	$ 777,467	$ 620,929	$ -	$ 620,929	$ 156,538	$ 210.524
Ancillary services (Note 17):						
Bookstore	2,386,760	1,787,607	256,001	2,043,608	343,152	529.225
Cafeteria	850,767	452,559	291,326	743,885	106,882	76.457
Residence	1,334,326	(44)	1,607,003	1,606,959	(272,633)	(32.246)
Parking	284,916	-	116,195	116,195	168,721	315.966
Meat Store	42,918	22,697	15,603	38,300	4,618	6.473
Aquaculture (Carp) operations	5,647	-	30,583	30,583	(24,936)	(271,107)
Daycare centre	161,607	-	173,858	173,858	(12,251)	700
Physical Education building	220,275	22.580	262,759	285,339	(65,064)	(72.281)
Health services	59,740	1.024	55,503	56,527	3,213	(44.301)
Athletics - special events	23,241	37.146	(12.558)	24,588	(1,347)	-
	5,370,197	2.323.569	2,796,273	5,119,842	250.355	508.886
	$ 6,147,664	$ 2,944,498	$ 2,796,273	$ 5,740,771	$ 406,893	$ 719.410

Note 16 Investment Income

	2002	2001
Investment earnings on net assets restricted for endowment purposes (Note 8)	$ 106,718	$ 146,248
Add investment income from other sources	489,534	431,832
Less write down of securities held for investment	(215,649)	-
Total investment income recognized as revenue	$ 380,603	$ 578,080

Note 17 Expense by Function

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services. Student services include all scholarships, bursaries and activities or services to the student body of the College. Institutional support includes all activities that provide institution-wide support to other programs.

	2002		2001
	Budget (Note 22)	Actual	Actual
Instruction	$ 23,287,704	$ 23,787,154	$ 22,190,998
Academic support	4,302,105	4,193,044	4,211,879
Student services	2,188,868	2,295,925	2,032,425
Institutional support	7,329,860	7,273,521	7,838,022
Ancillary services (Note 15)	5,053,470	5,119,842	4,301,234
Computer services	1,374,832	1,373,586	1,294,565
Amortization of capital assets	3,605,013	3,592,555	3,603,509
	47,141,852	47,635,627	45,472,632
Less amortization of capital assets - Ancillary services	467,737	470,629	242,019
	$ 46,674,115	$ 47,164,998	$ 45,230,613

Note 18 Salaries and Benefits

	2002				2001	
	Number of Individuals[a]	Salary[b]	Benefits and Allowances[c]	Total	Number of Individuals[a]	Total
Chairman of the Board of Governors	1	$ 4,060	$ 63	$ 4,123	1	$ 4,145
Board members[d]	9	18,140	282	18,422	9	20,764
	10	22,200	345	22,545	10	24,909
President[e]	1.0	154,267	14,206	168,473	1.0	153,928
Vice President Corporate Services	1.0	114,240	11,772	126,012	1.0	114,996
Dean Student and Enrolment Services	0.9	78,792	14,085	92,877	0.6	67,635
Vice President Development and Enterprise	-	-	-	-	0.1	8,812
Vice President Curriculum and Instruction	1.0	120,640	11,779	132,419	1.0	108,363
Directors/Managers (average: 2002 - $76,026 2001 - $70,167)	41.0	2,702,241	414,835	3,117,076	42.9	3,010,166
Other salaried staff						
Administration (average: 2002 - $55,087 2001 - $50,545)	21.7	1,035,482	159,897	1,195,379	17.0	859,263
Academic (average: 2002 - $66,082 2001 - $61,566)	206.7	11,927,029	1,732,212	13,659,241	190.7	11,740,664
Support (average: 2002 - $35,451 2001 - $34,572)	189.5	5,694,619	1,023,311	6,717,930	178.4	6,167,640
Non-salaried staff[f]						
Administration	-	99,711	19,119	118,830	-	109,169
Academic	-	4,382,527	546,575	4,929,102	-	5,256,334
Support	-	1,587,081	275,703	1,862,784	-	1,776,059
	462.8	27,918,829	4,223,839	32,142,668	432.7	29,397,938
Other payroll adjustments:						
Severance payments[g]		42,171	1,412	43,583		342,002
Vacation accruals		99,714	2,369	102,083		(47,701)
Memberships and tuitions[h]		-	(4,323)	(4,323)		(4,662)
Curriculum development costs in progress		(2,047)	(391)	(2,438)		(57,845)
Capital addition on new building		(47,151)	(3,966)	(51,117)		(9,158)
Co-operative Aquaculture Research Project		-	-	-		(190,454)
		$ 28,011,516	$ 4,218,940	$ 32,230,456		$ 29,430,120

Note 18 Salaries and Benefits (continued)

(a) Except for Board members, the number of individuals is expressed as full-time equivalents. The total actual discrete number of individual employees at June 30, 2002 was 2,253 (2001 – 2,272).

(b) Salary includes regular base pay, overtime, shift differential, vacation pay, sick-time payments, honoraria and any other direct cash remuneration.

(c) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension plans, Employment Insurance, Workers' Compensation, health care, dental coverage, group life insurance, accidental disability and dismemberment, educational sabbaticals, vacation payouts, vehicle allowances, professional memberships and remission of tuition fees.

(d) Board members include one representative from each of the academic and support staff and their stipends as Board members. Their salaries and benefits as full-time employees are included under other salaried staff.

(e) An executive compensation package includes an automobile provided to the President. The automobile is not included in the value of benefits disclosed on the schedule.

(f) Non-salaried staff comprise individuals who work less than 29 hours per week; benefits consist of contributions to Employment Insurance, Canada Pension Plan and Workers' Compensation. In addition, for continuing employees working more than 15 hours a week, benefits also include health care, dental coverage, group life insurance, accidental death and dismemberment and vacation payouts.

(g) Severance payments include all monies paid, directly or on behalf of an employee, upon termination.

(h) Professional memberships and remission of tuition fees are disclosed as benefits. However, this adjustment reflects the payments that are being made out of accounts other than payroll.

Note 19 Related Party Transactions

a) The College is a Provincial Corporation as all members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning. Transactions between the College and the Province are described in Notes 4, 8 and 14 to the consolidated financial statements.

b) The College accounts for funds of certain associations and clubs related to College activities through Funds Held on Behalf of Others (Note 20). Certain administrative services are provided without charge to these entities.

Note 19 Related Party Transactions (continued)

c) During the year, the College engaged the services of, and purchased goods from, organizations that are controlled or significantly influenced by members of its Board of Governors. Amounts of any such services were determined through fair and open competition in the normal course of operations. For the year ended June 30, 2002, the value of such services was $43,505 (2001 - $56,344).

d) The College administers a program that permits advances to staff members for the specific purpose of acquiring and maintaining technological currency in computer hardware and software developments. Such advances are repaid over a maximum period of two years at the prescribed interest rate. The balance of advances outstanding as at June 30, 2002 was $45,044 (2001 - $40,789).

Note 20 Funds Held on Behalf of Others

Lethbridge Community College provides administrative services and administers funds on behalf of other organizations. These amounts are held in trust but are not included in the College's statement of financial position and are summarized as follows:

	2002	2001
Lethbridge Community College Students Association, clubs and activities	$ 564,849	$ 470,787
Chinook Educational Consortium	261,441	443,732
Associated agencies	99,587	120,535
Other agencies	126,981	76,859
Agricultural research projects	37,963	65,923
	$ 1,090,821	$ 1,177,836

Note 21 Commitments and Contingencies

a) The College leases facilities and equipment with lease terms up to four years. The minimum operating lease payments for each of the next four fiscal years are as follows:

2003	$ 97,641
2004	56,890
2005	19,182
2006	6,227

Note 21 Commitments and Contingencies (continued)

b) During the year, Lethbridge Community College undertook three major capital projects for the construction of a new instructional building, a technology infrastructure upgrade and the expansion of campus residences. As at June 30, 2002, the College had commitments in relation to contracts for these projects as follows:

	Contract	Expended (Note 6)	Commitments
Instructional building:			
Consulting and architects	$ 668,181	$ 662,127	$ 6,054
General contractor	10,921,318	9,374,378	1,546,940
Other	400,826	69,272	331,554
	11,990,325	10,105,777	1,884,548
Administrative Technology Infrastructure:			
Consulting	5,538,328	13,882	5,524,446
Technology systems	3,150,000	-	3,150,000
	8,688,328	13,882	8,674,446
Residence:			
Consulting and architects	353,702	352,108	1,594
General contractor	5,881,247	5,820,780	60,467
Other	444,701	341,762	102,939
	6,679,650	6,514,650	165,000
Less residence addition put into service during the year	6,514,650	6,514,650	-
Outstanding residence commitments	165,000	-	165,000
Total construction projects	$ 20,843,653	$ 10,119,659	$ 10,723,994

Note 21 Commitments and Contingencies (continued)

c) The College has been named a defendant in two separate legal actions. In the opinion of management, these matters are without substantial merit and no provision for losses has been reflected in the accounts.

Note 22 Budget

	Approved Budget(i)	Decreased Funding(ii)	Reported Budget
Revenue:			
Grants (Note 14)	$24,530,441	$ (902,940)	$23,627,501
Tuition and related fees	13,264,913	(160,449)	13,104,464
Sales, rentals and services	6,312,746	3,000	6,315,746
Contract programs	1,292,811	10,000	1,302,811
Investment income	420,704	-	420,704
Donations	213,128	-	213,128
Amortization of deferred capital contributions	3,135,000	-	3,135,000
	49,169,743	(1,050,389)	48,119,354
Expense (Note 17):			
Salaries and benefits	$31,240,399	$ (223,788)	$31,016,611
Supplies and services	7,677,818	(581,601)	7,096,217
Cost of sales, rentals and services	2,939,328	-	2,939,328
Utilities	1,650,342	(290,000)	1,360,342
Scholarships and bursaries	77,000	-	77,000
Debenture interest	524,242	-	524,242
Amortization of Capital Assets	3,660,375	-	3,660,375
	47,769,504	(1,095,389)	46,674,115
Excess of revenue over expense	$ 1,400,239	$ 45,000	$ 1,445,239

(i) The budget was approved by the Board on June 26, 2001 and submitted to the Minister of Alberta Learning.

(ii) The Minister of Alberta Learning announced a funding decrease to the College relating to performance grants and funding for utilities. Access Fund program grants were reduced due to lower enrolment targets. A revised budget was approved by the Board on December 4, 2001.

Note 23 Pledges

As at June 30, 2002, outstanding pledges comprise the following:

Endowments	$ 103,373
Comprehensive fundraising campaign	894,665
Total	$ 998,038

Note 24 Comparative Figures

Certain 2001 figures have been reclassified to conform to 2002 presentation.

Note 25 Approval of Consolidated Financial Statements

These consolidated financial statements have been approved by the Board of Governors.

MEDICINE HAT COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Medicine Hat College

I have audited the consolidated statement of financial position of the Medicine Hat College as at June 30, 2002 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn CA
Auditor General

Edmonton, Alberta
September 13, 2002

MEDICINE HAT COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2002

	2002	2001
ASSETS		
Current:		
Cash and short-term investments (Note 3)	$ 4,544,476	$ 1,667,754
Accounts receivable	830,035	799,316
Inventories	267,655	281,829
Prepaid expenses	88,816	116,793
	5,730,982	2,865,692
Investments (Note 3)	17,168,977	16,899,060
Capital assets (Note 4)	28,015,037	22,094,930
	45,184,014	38,993,990
	$ 50,914,996	$ 41,859,682
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 767,751	$ 777,121
Accrued vacation pay	494,057	453,907
Unearned revenue (Note 5)	600,900	578,648
Deferred contributions (Note 6)	2,164,078	1,191,763
Current portion of long term debt (Note 7)	70,378	-
	4,097,164	3,001,439
Construction payables	2,059,882	44,565
Deferred capital contributions (Note 6)	8,215,190	10,380,490
Long term debt (Note 7)	3,929,622	-
Unamortized deferred capital contributions (Note 8)	19,225,583	16,013,739
	33,430,277	26,438,794
Net Assets:		
Unrestricted	1,615,111	1,891,820
Internally restricted (Note 9)	3,094,263	2,248,199
Invested in capital assets (Note 10)	6,186,126	6,081,191
	10,895,500	10,221,210
Endowments	2,492,055	2,198,239
	13,387,555	12,419,449
	$ 50,914,996	$ 41,859,682

The accompanying notes are part of these financial statements.

MEDICINE HAT COLLEGE

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2002

	2002		2001
	Budget (Note 19)	Actual	Actual
Revenue:			
Grants (Note 6)	$ 15,164,200	$ 15,510,011	$ 13,370,580
Tuition and related fees	8,403,800	8,037,143	7,935,343
Donations (Note 6)	173,100	226,778	213,288
Investments (Note 13)	1,000,000	544,665	590,313
Sales, rentals and services	2,211,800	2,345,755	2,236,212
Amortization of deferred capital contributions	1,224,900	1,263,829	1,260,732
	28,177,800	27,928,181	25,606,468
Expense: (Note 14)			
Salaries and benefits (Note 17)	16,675,950	17,169,929	15,254,740
Supplies and services	6,298,250	6,034,128	5,848,067
Utilities	587,100	564,399	468,493
Scholarships and bursaries	260,000	291,720	240,809
Cost of goods sold	1,098,500	983,523	943,522
Interest on long term debt	-	41,096	-
Amortization of capital assets	2,358,000	2,169,096	2,176,849
	27,277,800	27,253,891	24,932,480
Excess of revenue over expense	$ 900,000	$ 674,290	$ 673,988

MEDICINE HAT COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2002

	2002					2001
	Unrestricted	Internally Restricted	Invested in Capital Assets	Endowments	Total	Total
Excess of revenue over expense	$ 674,290	-	-	-	674,290	$ 673,988
Transfers for:						
Acquisition of capital assets	(1,011,308)	-	1,011,308	-	-	-
Amortization of capital assets	906,373	-	(906,373)	-	-	-
Internal restrictions	(846,064)	846,064	-	-	-	-
Endowment contributions	-	-	-	293,816	293,816	235,098
Increase (decrease) in Net Assets	(276,709)	846,064	104,935	293,816	968,106	909,086
Net Assets, beginning of year	1,891,820	2,248,199	6,081,191	2,198,239	12,419,449	11,510,363
Net Assets, end of year	$ 1,615,111	3,094,263	6,186,126	2,492,055	13,387,555	$ 12,419,449

MEDICINE HAT COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

	2002		2001
	Budget	Actual	Actual
Operating activities:			
Excess of revenue over expense	$ 900,000	$ 674,290	$ 673,988
Non-cash transactions:			
Amortization of capital assets	2,358,000	2,169,096	2,176,849
Amortization of deferred capital contributions	(1,224,900)	(1,263,829)	(1,260,732)
	2,033,100	1,579,557	1,590,105
Net changes in non-cash working capital (Note 18)	61,000	1,036,779	363,216
Cash generated through operating activities	2,094,100	2,616,336	1,953,321
Investing activities:			
Acquisition of capital assets	(11,086,300)	(8,090,309)	(1,294,202)
Proceeds from the sale of capital assets	-	1,106	-
Redemption (purchase) of long-term investments	(393,000)	(269,917)	(10,722,653)
Cash used in investing activities	(11,479,300)	(8,359,120)	(12,016,855)
Financing activities:			
Capital contributions	-	4,475,673	353,175
Deferred capital contributions	9,200,000	(2,165,300)	9,081,764
Construction payables	-	2,015,317	44,565
Proceeds from long term debt	-	4,000,000	-
Endowment contributions	200,000	293,816	235,098
Cash generated through financing activities	9,400,000	8,619,506	9,714,602
Increase (decrease) in cash and short-term investments	14,800	2,876,722	(348,932)
Cash and short-term investments, beginning of year	3,462,615	1,667,754	2,016,686
Cash and short-term investments, end of year	$ 3,477,415	$ 4,544,476	$ 1,667,754

MEDICINE HAT COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002

Note 1 Authority and Purpose

Medicine Hat College (the "College") operates under the authority of the Colleges Act, Revised Statutes of Alberta 2000, Chapter C-19. The College is exempt from payment of Income Tax under section 149 of the Income Tax Act.

The College provides broadly based educational and training programs and services to students and local communities.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. The following accounting policies and reporting practices are considered significant.

(a) Consolidated Statements

These consolidated financial statements include the accounts of the Medicine Hat College Foundation, which operates under part 9 of the Companies Act of Alberta, for the support and advancement of the College. The Foundation is a registered charity and is exempt from payment of income tax.

(b) Revenue Recognition

Unrestricted contributions are recognized in the period they are receivable.

Amounts received for tuition fees, and sale of goods and services are recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor.

Note 2 **Summary of Significant Accounting Policies and Reporting Practices** (continued)

(b) Revenue Recognition (continued)

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are taken into income, as amortization of deferred capital contributions, in the periods that the related funded capital asset is amortized.

Externally restricted contributions containing stipulations that the amounts should be retained as net assets, or that the contributions should not be expended, are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Contributions of materials and services that would otherwise have been purchased are recorded at fair market value when a fair market value can be reasonably determined.

Revenue from long-term education contracts is determined on the percentage of completion method. Provisions are made for all anticipated losses as soon as they become evident.

(c) Net Assets Internally Restricted

Net assets internally restricted represent amounts set aside by the College Board of Governors to be used for designated purposes.

(d) Investments

Investments are recorded at cost or amortized cost. Gains and losses on investments are recognized at liquidation of securities, or when there is an other than temporary decline in the value of an investment. Amortization of discount or premium is on a straight-line basis over the life of the investment.

(e) Inventories

Inventories held for resale are valued at the lower of cost or net realizable value.

(f) Capital Assets

Land transferred to the College from the City of Medicine Hat, and donated land, are recorded at fair market value at the date of transfer.

(f) Capital Assets (continued)

Buildings and renovations are recorded at June 30, 1989 amortized replacement cost as determined by an independent appraisal, with subsequent additions at cost.

Site improvements are recorded at January 1, 1983 replacement cost as determined by an independent appraisal, with subsequent additions at cost.

Furnishings and equipment are recorded at cost except for items acquired prior to July 1, 1984, which are recorded at estimated cost as determined by the College. Donated assets are recorded at fair market value at the time of donation.

Library acquisitions are recorded at cost and are comprised of books, audiovisual software and periodicals.

Amortization is recorded on a straight-line basis over the assets' useful lives, which are as follows:

Buildings and renovations	40 years
Site improvements	25 years
Furniture and equipment	5 to 25 years
Library acquisitions	10 years
Systems planning and development	10 years

(g) Future Employee Benefits

The College participates in the Local Authorities Pension Plan (LAPP). This pension plan is a multi-employer defined benefit plan that provides pensions for the College's participating employees, based upon years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the LAPP pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

(h) Financial Instruments

The carrying value of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

Note 3 Cash and Investments

	2002				2001	
	Cash and Short-term Investments	Long-term Investment	Total Cost	Market Value	Total Cost	Market Value
Cash on hand	$ 6,650	$ -	$ 6,650	$ 6,650	$ 6,550	$ 6,550
Bank balances	1,834,386	165,854	2,000,240	2,000,240	832,504	832,504
Term deposits	2,703,440	10,335,331	13,038,771	13,038,771	11,600,000	11,600,000
Bonds	-	5,571,018	5,571,018	5,750,543	5,146,943	5,171,273
Canadian equities	-	717,028	717,028	895,245	597,576	734,195
Foreign equities	-	379,746	379,746	372,821	383,241	399,560
	$ 4,544,476	$ 17,168,977	$ 21,713,453	$ 22,064,270	$ 18,566,814	$ 18,744,082

The Board of Governors has an approved investment policy. The investment objectives are the preservation of capital, stability and predictability of returns, and the maximization of return on investment. The approved policy restricts the type and amount of investments that may be purchased or held.

Funds determined to be short-term in nature are invested by College management. These investments must be issued by or fully secured by a Chartered Bank of Canada, the Treasury Branch of Alberta, an Alberta Credit Union backed by the Province of Alberta, the Federal Government, or any provincial government of Canada.

Securities acquired by management are further limited to cash equivalent securities rated "R1" or "A1" or higher, and fixed income securities "A (low)" or higher by Standard & Poor's or the Dominion Bond Rating Service.

Funds determined to be long-term in nature are invested by an external investment manager appointed by the Board of Governors. Limitations on cash equivalent securities are the same as those imposed on management as specified in the preceding paragraph. Corporate fixed income securities may not exceed 30% of the market value of funds being invested by the external manager, and any single corporate fixed income holding may not exceed 5% of the total value of corporate fixed income holdings. The external manager may also acquire equities when the market value of common stock exceeds $600,000,000 for a corporation. Equities may not exceed 20% of the market value of funds being invested by the external manager, and any single equity investment may not exceed 5% of the total value of all equity holdings.

The effective annual rate of interest for fixed income investments owned by the College at June 30 was 6.01% (2001 – 6.01%) using a weighted average calculation. All non-cash investments except Canadian and foreign equities held at June 30, 2002 have fixed maturity dates. Securities classified as cash and short-term investments will mature in less than one year. Securities classified as investments have maturity dates ranging from 1 to 47 years (2001 – 1 to 48 years), and a weighted average maturity of 8.4 years (2001 – 8.5 years).

Note 4 Capital Assets

During the year donated gifts-in-kind of furniture and equipment valued at $27,000 (2001 - $19,000) were capitalized.

	2002			2001
	Cost & Appraised Value	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,560,000	$ -	$ 1,560,000	$ 1,560,000
Buildings and renovations	35,283,739	20,286,833	14,996,906	15,845,361
Site Improvements	7,285,093	6,891,600	393,493	684,897
Furniture and equipment	10,137,911	7,239,755	2,898,156	2,775,398
Library acquisitions	3,562,140	2,715,212	846,928	821,465
Systems planning and development	321,294	93,530	227,764	260,302
Construction in progress	7,091,790	-	7,091,790	147,507
	$ 65,241,967	$ 37,226,930	$ 28,015,037	$ 22,094,930

Note 5 Unearned Revenue

	2002	2001
Tuition and related fees	$ 591,900	$ 575,707
Other	9,000	2,941
	$ 600,900	$ 578,648

Note 6 Deferred Contributions and Deferred Capital Contributions

Deferred contributions represent amounts received that have not been spent and are externally restricted. The balance will be recognized as revenue in future periods.

	2002	2001
Contributions received and receivable:		
Grants	$ 18,413,648	$ 22,584,630
Donations	609,991	916,511
Investment income on contributions	400,441	195,666
	19,424,080	23,696,807
Transferred to revenue:		
Grants	(15,510,011)	(13,370,580)
Donations	(226,778)	(213,288)
Investments	(110,787)	(141,120)
	(15,847,576)	(13,724,988)
Transferred to:		
Endowments	(293,816)	(235,098)
Unamortized deferred capital contributions	(4,475,673)	(353,175)
	(4,769,489)	(588,273)
Increase (decrease) during the year	(1,192,985)	9,383,546
Deferred Contributions and Deferred Capital Contributions, beginning of year	11,572,253	2,188,707
Deferred Contributions and Deferred Capital Contributions, end of year	$ 10,379,268	$ 11,572,253
The balance consists of funds restricted for:		
Deferred Contributions:		
Scholarships	$ 366,694	$ 391,145
Other	1,797,384	800,618
	2,164,078	1,191,763
Deferred Capital Contributions:		
Infrastructure	8,215,190	10,380,490
Deferred Contributions and Deferred Capital Contributions, end of year	$ 10,379,268	$ 11,572,253

Note 7 Long Term Debt

Pursuant to a security agreement entered into with the Alberta Municipal Financing Corporation (AMFC) on May 1, 2002, the College borrowed the sum of $4,000,000. The funds will be used to finance the construction of new student housing at both the Medicine Hat and Brooks campuses. The borrowing of these funds was approved through an "Order In Council" by the Lieutenant Governor on February 6, 2002.

The debenture bears interest at 6.25% per annum, it is to be repaid in twenty-five (25) consecutive annual installments of $320,378, principal and interest, commencing May 1, 2003 and maturing on May 1, 2027. The debenture is secured by a security interest in certain specific personal property.

	2002	2001
Debenture Payable		
Current Portion	$ 70,378	$ -
Non-current Portion	3,929,622	-
	$ 4,000,000	$ -

Principal payments due during the next five fiscal years are as follows:		
2002 - 2003	$ 70,378	$ -
2003 - 2004	74,777	-
2004 - 2005	79,451	-
2005 - 2006	84,416	-
2006 - 2007	89,692	-
Thereafter	3,601,286	-
	$ 4,000,000	$ -

Note 8 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funding of capital assets, which will be recognized in revenue, as amortization of deferred capital contributions, in future periods as the related funded assets are amortized.

	2002	2001
Balance, beginning of year	$ 16,013,739	$ 16,921,296
Add amount transferred from deferred capital contributions	4,475,673	353,175
Less amount amortized to revenue	(1,263,829)	(1,260,732)
Balance, end of year	$ 19,225,583	$ 16,013,739

Note 9 Net Assets Internally Restricted

Internally restricted net assets represent amounts set aside by the College Board of Governors to be used for the following purposes. These amounts are not available for other purposes without the approval of the board.

	2002	2001
Operating:		
Outstanding commitments	$ 89,086	$ 143,022
Capital:		
Technology advancement	287,000	287,000
Student housing renewal	468,177	468,177
Campus renewal	1,350,000	1,350,000
Campus expansion	800,000	-
Ancillary operations	100,000	-
	3,005,177	2,105,177
	$ 3,094,263	$ 2,248,199

Note 10 Net Assets Invested in Capital Assets

	2002	2001
Investment in capital assets	$ 28,015,037	$ 22,094,930
Outstanding capital financing	(2,603,328)	-
Unamortized deferred capital contributions	(19,225,583)	(16,013,739)
	$ 6,186,126	$ 6,081,191

Note 11 Ancillary Services

	2002			2001
	Revenue	Expense	Net	Net
Bookstore	$ 1,322,593	$ 1,155,481	$ 167,112	$ 188,106
Cafeteria	56,897	8,882	48,015	44,270
Student residence	549,762	491,021	58,741	114,031
Parking	83,539	23,781	59,758	78,274
	$ 2,012,791	$ 1,679,165	$ 333,626	$ 424,681

Expense includes direct costs only.

Note 12 Related Parties

All members of the Medicine Hat College Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning.

Transactions in the current period between the College and the Province were as follows:

	2002			2001
	Received and Receivable	Deferred Contributions and UDCC [1]	Revenue	Revenue
Grants from Related Parties				
Alberta Learning	$ 15,042,099	$ 539,295	$ 14,502,804	$ 12,665,597
Alberta Infrastructure	2,408,000	2,383,000	25,000	-
Other Alberta Government Departments	711,920	(27,019)	738,939	503,462
	18,162,019	2,895,276	15,266,743	13,169,059
Grants Other Sources	251,629	8,361	243,268	201,521
Total Grants	$ 18,413,648	$ 2,903,637	$ 15,510,011	$ 13,370,580

(1) UDCC refers to Unamortized Deferred Capital Contributions.

During the year, the College conducted business transactions with other public colleges and universities. The revenues and expenses incurred for these courses have been included in the consolidated statement of operations, but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair value.

Note 13 Investment Income

	2002	2001
Investment earnings on resources held for endowment	$ 110,787	$ 141,120
Other restricted investment income	289,654	54,546
Investment income on other sources	433,878	449,193
	834,319	644,859
Less - investment income deferred	289,654	54,546
Total investment income recognized as revenue	$ 544,665	$ 590,313

Note 14 Expense by Function

	2002	2001
Instruction	$ 13,217,933	$ 12,066,920
Academic support	2,187,204	2,140,877
Student services	2,729,913	2,224,042
Institutional support	2,285,505	1,616,538
Facility operations & maintenance	2,208,441	2,441,939
Ancillary services	1,679,165	1,495,391
Computing services	776,634	769,924
Amortization of capital assets	2,169,096	2,176,849
	$ 27,253,891	$ 24,932,480

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audiovisual services. Student services include all activities or services to the student body of the institution. Institutional support includes all activities that provide institution wide support to other programs.

Note 15 Pension Costs

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $ 537,012 for the year ended June 30, 2002 (2001 - $ 470,226).

At December 31, 2001, the Local Authorities Pension Plan reported a surplus of $ 634,960,000 (2000 - $ 883,823,000).

Note 16 Funds Held on Behalf of Others

The College holds certain funds on behalf of others over which the Board has no power of appropriation. Accordingly, these funds are not included in the consolidated financial statements. At June 30, the respective funds held on behalf of others were as follows:

	2002	2001
Further Education Council	$ 79,773	$ 24,728
Students' Association	219,284	181,472
Interpretive Centre - Police Point Park	(14,895)	(28,308)
Other	23,206	-
	$ 307,368	$ 177,892

Note 17 Salaries and Benefits

The Treasury Board's Salary and Benefits Disclosure Directive requires the College to disclose certain salaries and benefits. Those salaries and benefits are as follows:

	2002			2001
	Salaries and Wages[1]	Benefits[2]	Total	Total
Chairman of Board	$ 5,828	$ 295	$ 6,123	$ 2,000
Board (10 members)	16,421	496	16,917	14,151
President	136,000	18,048	154,048	120,651
Vice-President Academic	99,645	12,468	112,113	104,977
Vice President, Student and College Services	99,645	12,526	112,171	105,561
Dean, Health Studies	81,261	15,209	96,470	89,694
Dean, Arts	81,261	14,148	95,409	92,416

(1) Salaries include regular base pay, and any bonuses, overtime or lump sum payments where applicable.

(2) Benefits include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental, group life insurance, employment insurance, vacation payouts and remission of tuition fees.

Note 18 Changes in Non-Cash Working Capital

	2002	2001
Accounts receivable	$ (30,719)	$ (295,911)
Inventories	14,174	(8,355)
Prepaid expenses	27,977	8,362
Accounts payable and accrued liabilities	(9,370)	165,741
Accrued vacation pay	40,150	48,091
Unearned revenue	22,252	143,506
Deferred contributions	972,315	301,782
	$ 1,036,779	$ 363,216

Note 19 **Budget**

The original budget was presented on a function basis and was approved by the College's Board of Governors at their regular meeting on March 20, 2001. For comparison purposes, the budget has been presented on an object basis to conform to financial statement format.

Note 20 **Approval of Financial Statements**

These financial statements were approved by the Board of Governors.

Note 21 **Commitment – Campus Expansion Project**

As at year-end the College was involved with three construction projects. Approved budgets, expenditures and unspent (overspent) budgets as at June 30 were as follows:

	2002	2001
Project Budgets		
Campus Expansion project (multipurpose building)	$ 14,247,000	$ 14,247,000
Medicine Hat Residence project	3,750,000	-
Brooks Residence project	1,250,000	1,210,000
	19,247,000	15,457,000
Less - Expenditures to-date:		
Campus Expansion project	4,340,956	147,507
Medicine Hat Residence project	1,110,859	-
Brooks Residence project	1,492,469	-
	6,944,284	147,507
Unpent (overspent) Budget Commitments:		
Campus Expansion project	9,906,044	14,099,493
Medicine Hat Residence project	2,639,141	-
Brooks Residence project	(242,469)	1,210,000
	$ 12,302,716	$ 15,309,493

In relation to the above projects, as at June 30, 2002, the College had contractual commitments of $8,345,342 (2000 - $ nil). This amount has not been recorded in the financial statements.

Note 22 **Comparative Figures**

Certain June 30, 2001 figures have been reclassified to conform to the current year presentation.

MOUNT ROYAL COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Mount Royal College

I have audited the consolidated statement of financial position of the Mount Royal College as at June 30, 2002 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

I also report that the College has exceeded its authority by incorporating a wholly owned subsidiary without the approval of the Lieutenant Governor in Council. Under the *Financial Administration Act*, the Lieutenant Governor in Council must give approval before a Provincial corporation can be incorporated. These financial statements include the assets, liabilities and results of operations of the subsidiary, which commenced operations on January 17, 2002.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
October 25, 2002

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2002

ASSETS

	2002	2001 (As restated, Note 3)
Current:		
Cash and short-term investments (Note 4)	$ 32,223,022	$ 41,697,663
Accounts receivable	3,253,245	2,405,076
Inventories (Note 5)	707,456	669,058
Prepaid expenses	640,510	672,375
	36,824,233	45,444,172
Investments (Note 4)	73,301,460	93,030,970
Capital assets (Note 6)	119,474,768	68,544,946
	$ 229,600,461	$ 207,020,088

LIABILITIES AND NET ASSETS

	2002	2001 (As restated, Note 3)
Current:		
Accounts payable and accrued liabilities	$ 4,186,897	$ 2,855,626
Payable to the Government of Alberta	-	17,400,000
Deferred revenues	3,104,597	3,137,899
Accrued vacation pay	4,035,293	3,529,421
Deferred contributions (Note 7)	10,282,531	9,549,242
Current portion of long-term liabilities (Note 9)	263,065	216,316
Employee leave and retirement allowances	125,256	238,810
	21,997,639	36,927,314
Construction payables	8,508,544	2,062,038
Unamortized deferred capital contributions (Note 10)	106,389,070	60,429,968
Long term deferred contributions (Note 7)	6,128,656	4,952,480
Deferred capital contributions (Note 8)	50,143,500	73,321,952
Long-term liabilities (Note 9)	460,546	590,184
Long-term employee leave and retirement allowances	799,394	667,190
	194,427,349	178,951,126
Net assets:		
Unrestricted	2,162,963	2,571,710
Internally restricted (Note 12)	9,188,563	8,668,001
Investment in capital assets	12,362,087	7,308,477
Endowments (Note 11)	11,459,499	9,520,774
	35,173,112	28,068,962
	$ 229,600,461	$ 207,020,088

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2002

	2002	2001 (As restated, Note 3)
Revenue		
Grants	$ 43,925,851	$ 38,752,679
Tuition and related fees	23,283,261	21,640,830
Community programs	15,701,652	14,424,628
Sales, rentals and services	10,956,544	9,231,432
Investment income (Note 13)	1,965,565	2,215,462
Donations and contributions	1,110,960	1,159,642
Earned capital contributions (Note 10)	3,378,929	3,049,723
	100,322,762	90,474,396
Expense (Note 16)		
Salaries and benefits (Note 17)	62,732,487	55,820,592
Supplies and services	22,317,881	21,783,717
Cost of goods sold	3,425,883	2,438,526
Utilities	2,866,499	2,818,934
Scholarships and bursaries	646,018	567,389
Amortization and loss on disposal of capital assets	5,761,853	5,496,531
Loss on write down of investments	357,807	-
	98,108,428	88,925,689
Excess of revenue over expense	$ 2,214,334	$ 1,548,707

MOUNT ROYAL COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2002

	2002						2001
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 12)	Investment in Capital Assets	Total Operating Net Assets	Endowments	Total	(As restated, Note 3) Total
Excess of revenue over expense	$2,214,334	$ -	$ -	$ 2,214,334	$ -	$2,214,334	$ 1,548,707
Transfer to internally restricted	(2,022,290)	2,022,290	-	-	-	-	-
Internally funded:							
Acquisition of capital assets	(2,702,785)	(1,501,728)	4,204,513	-	-	-	-
Payments on capital leases	(280,930)	-	280,930	-	-	-	-
Amortization and loss on disposal of capital assets	2,382,924	-	(2,382,924)	-	-	-	-
Contributions to endowments	-	-	-	-	1,938,725	1,938,725	1,034,210
Acquisition of land	-	-	2,951,091	2,951,091	-	2,951,091	-
Increase (decrease) in net assets	(408,747)	520,562	5,053,610	5,165,425	1,938,725	7,104,150	2,582,917
Balance, beginning of year	2,571,710	8,668,001	7,308,477	18,548,188	9,520,774	28,068,962	25,486,045
Balance, end of year	$ 2,162,963	$ 9,188,563	$ 12,362,087	$ 23,713,613	$ 11,459,499	$ 35,173,112	$ 28,068,962

MOUNT ROYAL COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

	2002	2001 (As restated, Note 3)
Operating Activities:		
Excess of revenue over expense	$ 2,214,334	$ 1,548,707
Non-cash transactions:		
Amortization and loss on disposal of capital assets	5,761,853	5,496,531
Earned capital contributions (Note 10)	(3,378,929)	(3,049,723)
Loss on write down of investments	357,807	-
	4,955,065	3,995,515
Net change in non-cash working capital (Note 15)	1,568,874	290,324
Cash generated from operating activities	6,523,939	4,285,839
Investing Activities:		
Acquisition of capital assets:		
From internal funds	(4,204,513)	(1,454,012)
From long-term liabilities	(198,040)	(576,008)
From capital contributions	(52,289,122)	(6,773,301)
Disposal (acquisition) of investments, net	19,371,703	(74,530,677)
Increase in long-term deferred contributions	1,176,176	76,319
Cash used for investing activities	(36,143,796)	(83,257,679)
Financing activities:		
Increase in construction payables	6,446,506	2,062,038
Payable to the Government of Alberta	(17,400,000)	17,400,000
Increase (decrease) in long-term employee leave and retirement allowances	132,204	(40,805)
Proceeds from long-term liabilities	198,040	576,009
Repayments of long-term liabilities	(280,929)	(256,320)
Contributions to endowments	1,938,725	1,034,210
Capital contributions	29,110,670	78,710,576
Cash generated from financing activities	20,145,216	99,485,708
Increase (decrease) in cash and short-term investments	(9,474,641)	20,513,868
Cash and short-term investments, beginning of year	41,697,663	21,183,795
Cash and short term investments, end of year	$ 32,223,022	$ 41,697,663

MOUNT ROYAL COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002

Note 1 Authority

Mount Royal College (the "College") operates under the authority of the Colleges Act, Chapter C-19, Revised Statutes of Alberta 2000. The College's mission is to foster the success and satisfaction of students in the pursuit of their educational goals. The College is a registered charity and is, under Section 149 of the Income Tax Act, exempt from payment of income tax.

Note 2 Significant Accounting Policies and Reporting Practices

(a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. The following accounting policies and reporting practices are considered significant.

(b) Consolidated Statements

These consolidated financial statements include the accounts of Rockyview Aviation Fuels Ltd. which operates under the Business Corporations Act (Alberta) to operate an Aviation refueling system for the College's Aviation program.

(c) Related Parties

Information relating to the Mount Royal College Foundation (the "Foundation" - incorporated under Part 9 of the Companies Act (Alberta) for the support and advancement of the College) and the Mount Royal College Day Care Society (the "Society" - incorporated under the Societies Act (Alberta) to provide day care services for students and employees of the College) is presented in Note 18. The financial position and results of operations of the Foundation and the Society are not consolidated with those of the College.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Revenue Recognition

Operating grants, including those from the Province of Alberta, are recognized as revenue in the period receivable. If a portion of a grant relates to a future period, that portion is deferred and recognized in the subsequent period.

Capital grants, including those from the Province of Alberta, are recorded as deferred contributions until they are invested in capital assets. Amounts invested, representing funded capital assets and contributions of property, are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as earned capital contributions revenue in the period when the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred/earned capital contributions revenue are matched to indicate that the related amortization expense has been funded and the capital contribution earned.

Unrestricted cash donations are recognized as revenue in the period received. Donations of goods and services, which would otherwise have been purchased by the College, are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions are deferred and then recognized as revenue in the period when the related expense is incurred. Externally restricted contributions can only be used for the designated purposes. Externally restricted contributions containing stipulations that they should be retained as net assets or that they should not be expended are recorded as a direct increase in net assets. Such contributions include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Tuition fees and sales of goods and services are deferred and then recognized as revenue in the period when the services are provided or the goods are sold. Revenue from contracts is recognized using the percentage of completion method and is recognized within community programs revenue.

(e) Inventories

Inventories are valued at the lower of cost or net realizable value.

(f) Short-term Investments

Short-term investments are recorded at the lower of cost and market value.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Investments

Investments are recorded at cost. Gains and losses on investments are recognized when an investment is sold or when there is an other than temporary impairment in the value of an investment.

(h) Financial Instruments

The carrying value of financial assets and financial liabilities approximate their fair value unless otherwise disclosed. The fair value of investments is market value. The market value of publicly traded investments is based on quoted market prices.

(i) Capital Assets

Capital assets are recorded at cost. Donated assets are recorded at fair value. Capital assets under construction are not amortized until construction is completed.

Capital assets are amortized on a straight-line basis as follows:

Buildings	25 to 40 years
Leasehold improvements	7 years
Furnishings and equipment	3 to10 years
Computer equipment	3 to 5 years

Library acquisitions are amortized on a declining balance basis at a rate of 10%.

(j) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

Note 3 Prior Period Adjustment

During the year, the College determined that certain amounts received in prior years should have been reported as tuition and related fees revenue, not as deferred capital contributions. As a result, deferred capital contributions, unamortized deferred capital contributions and earned capital contributions were overstated. Tuition and related fees revenue and net investment in capital assets were understated. The correction has been made retroactively with restatement of prior period amounts as follows:

	As originally reported	Adjustments	As restated
Consolidated Statement of Financial Position:			
Deferred capital contributions as at June 30, 2001	$ 73,499,237	$ (177,285)	$ 73,321,952
Unamortized deferred capital contributions as at June 30, 2001	$ 61,575,257	$ (1,145,289)	$ 60,429,968
Internally restricted net assets as at June 30, 2001	$ 8,490,716	$ 177,285	$ 8,668,001
Investment in capital assets as at June 30, 2001	$ 6,163,188	$ 1,145,289	$ 7,308,477
Consolidated Statement of Operations:			
Tuition and related fees for the year ended June 30, 2001	$ 20,851,272	$ 789,558	$ 21,640,830
Grants for the year ended June 30, 2001	$ 39,025,073	$ (272,394)	$ 38,752,679
Earned capital contributions for the year ended June 30, 2001	$ 3,828,148	$ (778,425)	$ 3,049,723
Excess of revenue over expense for the year ended June 30, 2001	$ 1,809,968	$ (261,261)	$ 1,548,707
Consolidated Statement of Cash Flows:			
Earned capital contributions for the year ended June 30, 2001	$ 3,828,148	$ (778,425)	$ 3,049,723
Acquisition of capital assets from internal funds for the year ended June 30, 2001	$ (801,643)	$ (652,369)	$ (1,454,012)
Acquisition of capital assets from deferred contributions for the year ended June 30, 2001	$ (7,425,670)	$ 652,369	$ (6,773,301)
Capital contributions for the year ended June 30, 2001	$ 79,227,740	$ (517,164)	$ 78,710,576

Note 3 Prior Period Adjustment (continued)

	As originally reported	Adjustments	As restated
Consolidated Statement of Changes in net assets:			
Excess of revenue over expense for the year ended June 30, 2001	$ 1,809,968	$ (261,261)	$ 1,548,707
Net assets for the year ended June 30, 2000	$ 23,902,210	$ 1,583,835	$ 25,486,045
Internally restricted net assets as at June 30, 2001	$ 8,490,716	$ 177,285	$ 8,668,001
Investment in capital assets as at June 30, 2001	$ 6,163,188	$ 1,145,289	$ 7,308,477

Note 4 Cash and Investments

	2002		2001	
	Cost	Market	Cost	Market
Cash and cash equivalents	$ 17,760,339	$ 17,762,250	$ 5,752,679	$ 5,977,103
Capital Investment SWAP	45,622,013	45,622,013	95,381,182	95,381,182
Federal, Provincial and Municipal Bonds	13,731,529	13,943,882	11,326,817	11,109,231
Corporate Bonds	6,703,318	6,809,084	7,680,901	7,637,324
Equities - Canadian	11,758,727	14,628,556	8,919,462	11,029,117
Equities - International	9,948,556	9,249,751	5,667,592	6,135,799
	105,524,482	$ 108,015,536	134,728,633	$ 137,269,756
Held as long-term investments	73,301,460		93,030,970	
Held as cash and short-term investments	$ 32,223,022		$ 41,697,663	

The College's investment policy is to hold all bonds until their maturities. Within the investment portfolio, there are individual equities that are recorded in excess of their market value. The carrying value of these equities has not been written down to market value because management has concluded, based on a review of market information, that there is no obvious indication of a material impairment that is other than temporary.

The amount held as long-term investments represents funds not available for current operations and includes endowments, deferred contributions externally restricted for capital or specific purposes, and net assets internally restricted for capital purposes, as outlined below.

Note 4 Cash and Investments (continued)

	2002	2001
Endowments (Note 11)	$ 11,459,499	$ 9,520,774
Long-term deferred contributions (Note 7)	6,128,656	4,952,480
Deferred capital contributions (Note 8)	50,143,500	73,321,952
Internally restricted net assets, capital (Note 12)	5,569,805	5,235,764
	$ 73,301,460	$ 93,030,970

The overall rate of return on cash and investments for the year was 3.8% (2001: 6.3%). The cash and cash equivalents and bond funds maturities and effective yields are as follows:

	2002								2001	
	Less than 1 year	Effective Yield	1-5 Years	Effective Yield	Over 5 Years	Effective Yield	Total	Effective Yield	Total	Effective Yield
Cash and cash equivalents	$ 17,760,339	3.61%	$ -		$ -		$ 17,760,339	3.61%	$ 5,752,679	3.33%
Capital Investment – swap (1)	40,258,006	4.54%	5,364,007	4.54%			45,622,013	4.54%	95,381,182	4.54%
Federal, Provincial and Municipal Bonds			3,800,087	6.59%	9,931,442	5.65%	13,731,529	5.79%	11,326,817	5.92%
Corporate Bonds			2,039,968	6.38%	4,663,350	6.62%	6,703,318	6.51%	7,680,901	5.46%
	$ 58,018,345		$ 11,204,062		$ 14,594,792		$ 83,817,199		$ 120,141,579	

(1) At June 30, 2002 the College held a $45,622,013 investment that was in a capital investment swap. This investment provides for a guaranteed return of 4.538% over a three year term and also provides guaranteed cash flows based upon preset repayment terms. This investment was approved by the Board of Governors as a secure investment vehicle to support the cash flow requirements of the College's campus expansion project.

The College Board of Governors (the "Board") has approved an investment policy. The primary investment objectives are the preservation of capital and the generation of a competitive total return.

The Board provides guidelines on asset mix, diversification, quality and nature of securities, and term of the fixed income. The current guidelines are as follows:

(a) Asset Mix

Cash equivalents	From 0% to 15% of total portfolio
Fixed income	From 30% to 70% of total portfolio
Equities	From 20% to 60% of total portfolio

Note 4 Cash and Investments (continued)

(a) Asset Mix (continued) - To measure investment performance and identify the return attributed to the asset mix and asset selection decisions, the College has established a portfolio benchmark of 5% cash equivalents, 50% fixed income, and 45% equities. Further, it measures cash equivalent returns against the return from 90 day treasury bills, fixed income returns against the return for the Scotia McLeod Short Term Index, and equity returns against the return for the TSE 300 Index.

(b) Diversification - No more than 10% of the total portfolio may be invested in any one money market issuer other than investments guaranteed by the Government of Canada or the Province of Alberta. No more than 10% of the portfolio may be invested in any one government bond issue other than the Government of Canada or the Province of Alberta. A maximum of 5% of the portfolio may be invested in any one corporate bond issue. A maximum of 5% of the equity component may be invested in any one equity issue.

(c) Quality and Nature of Securities - All money market securities are rated "R1" or "A1" or higher by the Canadian Bond Rating Service or the Dominion Bond Rating Service. All corporate bonds are rated "A low" or higher at the time of purchase. Provincial bonds carry a rating of "A low" or higher by a recognized bond rating service.

(d) Term of the Fixed Income Portfolio – The average term range is three to five years. The portfolio is "laddered" with bonds having an average term to maturity that is within plus or minus 50% of the average term of the Scotia Macleod Universe Bond Index.

Note 5 Inventories

	2002	2001
Bookstore	$ 628,857	$ 586,370
Printing	24,639	27,519
Smart Card	51,430	52,172
Food services	2,530	2,997
	$ 707,456	$ 669,058

Note 6 Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 6,565,347	-	$ 6,565,347	$ 3,614,256
Buildings	90,723,324	38,758,602	51,964,722	53,717,393
Furnishings and equipment	31,439,870	22,710,962	8,728,908	6,073,541
Library acquisitions	2,581,260	1,110,696	1,470,564	1,359,746
Leasehold improvements	282,340	282,340	-	-
Construction in progress	50,745,227	-	50,745,227	3,780,010
	$ 182,337,368	$ 62,862,600	$ 119,474,768	$ 68,544,946

Capital assets with a net book value of $16,264 (2001: $8,934) were written off during the year. The College had a loss on disposal of capital assets in the year of $16,264 (2001: $7,837).

Capital assets include assets under capital leases with a cost of $1,684,638 and accumulated amortization of $968,271(2001: $1,474,607 and $659,853 respectively).

Capital asset additions include donated assets with a cost of $86,080 (2001: $68,050).

Note 7 Deferred Contributions

Deferred contributions are restricted contributions, which have been received but relate to expenses of future periods.

	2002	2001
Contributions received during the year:		
Grants	$ 9,252,791	$ 6,753,310
Net donations, investment income and other contributions	615,092	2,402,155
Transferred from deferred capital contributions (Note 8)	24,703	127,318
Transferred to revenue:		
Grants	(3,761,554)	(3,990,875)
Investment income (Note 13)	(520,861)	(494,204)
Donations and contributions	(956,423)	(1,021,317)
Other	-	(57,758)
Transferred to unamortized deferred capital contributions (Note 10)	(2,744,283)	(1,735,932)
Transferred to endowments	-	(49,329)
Increase during the year	1,909,465	1,933,368
Balance, beginning of year	14,501,722	12,568,354
Balance, end of year	$ 16,411,187	$ 14,501,722

Unspent amounts at the end of the year are restricted for the following purposes:

	2002	2001
Current:		
Program support and scholarships	$ 686,579	$ 2,655,550
Conditionally funded programs	4,564,263	2,219,788
Maintenance and repairs	5,031,689	4,673,904
	10,282,531	9,549,242
Long-term:		
Special purpose program funding	6,128,656	4,952,480
	$ 16,411,187	$ 14,501,722

Note 8 Deferred Capital Contributions

		(As restated, Note 3)
Contributions received during the year:		
Grants	$ 19,400,000	$ 94,235,280
Restricted investment income (Note 13)	3,791,090	266,682
Donations and other contributions	3,200,000	-
	26,391,090	94,501,962
Transferred to deferred contributions (Note 7)	(24,703)	(127,318)
Transferred to investment in capital assets -land acquisition	(2,951,091)	-
Transferred to unamortized deferred capital contributions (Note 10)	(46,593,748)	(5,037,369)
Transferred to payable to the Government of Alberta	-	(17,400,000)
Increase (decrease) during the year	(23,178,452)	71,937,275
Balance, beginning of the year	73,321,952	1,384,677
Balance, end of year	$ 50,143,500	$ 73,321,952

The balance at the end of year is restricted for the following purposes:

Renovations and equipment replacement	$ -	$ 235,280
Campus expansion	50,143,500	73,086,672
	$ 50,143,500	$ 73,321,952

Note 9 Long-term Liabilities

	2002	2001
Capital lease obligations	$ 723,611	$ 806,500
Less: current portion	263,065	216,316
	$ 460,546	$ 590,184

Note 9 Long-term Liabilities (continued)

The minimum annual payments under capital lease obligations are as follows:

2003	$ 341,491
2004	332,458
2005	163,923
2006	33,830
2007	5,528
Total minimum lease payments	877,230
Less: imputed interest (average rate 10.9%)	153,619
Capital lease obligations	$ 723,611

During the year, interest expense of $85,310 (2001: $45,379) has been included in supplies and services expense.

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions are the funded portion of capital assets, which will be recognized as revenue in future periods.

	2002	2001 (As restated, Note 3)
Transferred from deferred contributions (Note 7)	$ 2,744,283	$ 1,735,932
Transferred from deferred capital contributions (Note 8)	46,593,748	5,037,369
Earned and transferred to revenue	(3,378,929)	(3,049,723)
Increase during the year	45,959,102	3,723,578
Balance, beginning of year	60,429,968	56,706,390
Balance, end of year	$ 106,389,070	$ 60,429,968

Note 11 Endowments

	2002	2001
External endowments	$ 11,260,947	$ 9,322,222
Internal endowments	198,552	198,552
	$ 11,459,499	$ 9,520,774

Endowments consist of restricted donations to the College as well as internal allocations by the Board, the principal of which is required to be maintained intact in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board.

Note 12 Internally Restricted Net Assets

The Board has committed operating net assets as follows:

	2002	2001 (As restated, Note 3)
Operations:		
Academic program development	$ 1,136,798	$ 1,093,095
Campus and information systems development	410,737	676,275
College effectiveness	69,731	112,306
Community needs	27,543	28,244
Early retirement	65,123	65,123
Institutional evaluation	-	8,448
Professional development	155,906	170,855
Scholarships and bursaries	370,647	88,857
Research and special projects	1,191,127	992,696
Student success/satisfaction	191,146	196,338
	3,618,758	3,432,237
Capital:		
Capital renewal	1,100,000	1,100,000
Residence	2,781,669	3,133,479
Instructional equipment	524,954	177,285
Parking	1,163,182	825,000
	5,569,805	5,235,764
Total	$ 9,188,563	$ 8,668,001

Note 13 Investment Income

	2002	2001
Net investment income from restricted balances	$ 3,561,684	$ 282,689
Net investment income from endowments	305,724	620,238
	3,867,408	902,927
Transfer to deferred capital contributions (Note 8)	(3,791,090)	(266,682)
Net transferred (to) from deferreds	444,543	(142,041)
Net investment income from restricted sources (Note 7)	520,861	494,204
Investment income from unrestricted sources	1,444,704	1,721,258
Investment income	$ 1,965,565	$ 2,215,462

Certain investments were written down by $594,387 in the year. Of the total amount, $236,580 has been netted with investment income from restricted balances. The balance of $357,807 has been recorded in the statement of operations as loss on write down of investments.

Note 14 Employee Future Benefits

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $2,088,931 for the year ended June 30, 2002 (2001: $1,866,364).

At December 31, 2001, the Local Authorities Pension Plan reported a surplus of $634,960,000 (2000 - $883,823,000).

Note 15 Net Changes in Non-Cash Working Capital

	2002	2001
Current:		
Increase in accounts receivable	$ (848,169)	$ (817,370)
Increase in inventories	(38,398)	(37,865)
(Increase) decrease in prepaid expenses	31,865	(54,312)
Increase (decrease) in accounts payable and accrued liabilities	1,331,271	(536,741)
Decrease in deferred revenues	(33,302)	(92,650)
Increase in accrued vacation pay	505,872	283,670
Increase in deferred contributions	733,289	1,857,049
Decrease in employee leave and retirement allowances	(113,554)	(311,457)
	$ 1,568,874	$ 290,324

Note 16 Expenses by Function

	2002	2001
Instruction	$ 43,557,484	$ 38,999,635
Academic support	8,260,149	8,407,309
Student services	7,274,230	5,727,094
Institutional support	7,890,496	8,481,169
Facility operations and maintenance	13,789,022	12,208,255
Ancillary services	6,671,536	5,776,006
Computing Services	4,903,658	3,829,690
Amortization and loss on disposal of capital assets	5,761,853	5,496,531
	$ 98,108,428	$ 88,925,689

Note 17 Salaries and Benefits

This note complies with the requirements of the Alberta Provincial Treasury Board Salary and Benefits Disclosure Directive dated December 16, 1998 as applied to the College. The information is generally comparable from year to year. However, due to the specifics of the requirements and the particulars of the College's organization, the information may not be comparable to that of another organization.

	2002		
	Salaries [1]	Benefits [2]	Total
Chairman	$ 6,240	$ 29	$ 6,269
Board Members	17,180	549	17,729
	23,420	578	23,998
President[3,4]	180,861	59,425	240,286
Vice-President, Academic[4]	128,418	35,161	163,579
Vice-President, Administrative Services [4]	116,471	29,173	145,644
Vice-President, Student Affairs and Campus Life[4]	115,847	64,343	180,190
Director, Human Resources	101,837	11,672	113,509
	643,434	199,774	843,208
	$ 666,854	$ 200,352	$ 867,206

Note 17 Salaries and Benefits (continued)

	2001		
	Salaries[1]	Benefits[2]	Total
Chairman	$ 5,760	$ 11	$ 5,771
Board Members	16,540	515	17,055
	22,300	526	22,826
President[3,4]	173,904	71,091	244,995
Vice-President, Academic[4]	121,705	32,483	154,188
Vice-President, Administrative Services [4]	108,700	22,934	131,634
Vice-President, Student Affairs and Campus Life[4]	107,265	33,698	140,963
Director, Human Resources	97,920	11,451	109,371
	609,494	171,657	781,151
	$ 631,794	$ 172,183	$ 803,977

(1) Salaries include base pay, bonuses, overtime, lump sum payments, honoraria, research grants and any other direct cash remuneration.

(2) Benefits include the employer's share of all employee benefits and contributions or payments made on behalf of employees including vacation pay-outs, Canada Pension Plan contributions, Employment Insurance, long and short term disability plans, sabbaticals or other special leaves with pay, car allowances and club memberships.

(3) The President has a place on the Board for which he receives no remuneration.

(4) The President's and Vice-Presidents' benefits include leave and retirement plan amounts earned, but not paid, in the year which, for the President represents 71% of their benefits in 2002 (76% for 2001), for the Vice-President Academic 51% in 2002 (47% in 2001), for the Vice-President Administrative Services 37% in 2002 (39% in 2001) and for the Vice-President Student Affairs and Campus Life 73% in 2002 (nil in 2001). The College provides a vehicle to the President the value of which is not included in benefits. The Vice-President Academic, the Vice-President Administrative Services and the Vice-President Student Affairs and Campus Life all receive a car allowance, the value of which is included in benefits.

Note 18 Related Party Transactions

a) Mount Royal College Foundation

The Foundation is a registered charitable organization directed to the support and advancement of the College. Financial highlights of the Foundation for the year ended June 30, 2002 are as follows:

	2002	2001
Statement of Financial Position		
Total assets	$ 1,550,237	$ 316,227
Current liabilities	$ 348,648	$ 81,244
Deferred contributions	792,272	195,883
Equity	409,317	39,100
	$ 1,550,237	$ 316,227
Statement of Operations		
Revenue		
Contributions from the College	$ 514,119	$ 397,946
Donations	6,846,311	2,722,999
Other	885,212	681,065
	8,245,642	3,802,010
Less: Donations and grants not transferred	(782,683)	(179,544)
	7,462,959	3,622,466
Expense		
Donations transferred to the College	5,616,364	2,739,628
Other expense	1,270,676	719,483
Fundraising costs	205,702	190,423
	7,092,742	3,649,534
Excess (deficiency) of revenue over expense	$ 370,217	$ (27,068)
Statement of Cash Flows		
Cash generated from operating activities	$ 533,527	$ 14,934
Cash generated from (used in) investing activities	105,000	(109,584)
Cash generated from financing activities	596,389	194,744
Increase in cash	1,234,916	100,094
Cash, beginning of the year	158,404	58,310
Cash, end of the year	$ 1,393,320	$ 158,404

Note 18 Related Party Transactions (continued)

a) Mount Royal College Foundation (continued)

The Foundation is economically dependent on the College.

b) Mount Royal College Day Care Society

The Society is an organization operated to provide day care services for students and employees of the College, as well as members of the general public. Financial highlights of the Society for the year ended June 30, 2002 are as follows:

		2002		2001
Statement of Financial Position				
Total assets	$	76,650	$	78,724
Total liabilities	$	55,229	$	53,412
Net assets		21,421		25,312
	$	76,650	$	78,724
Statement of Operations				
Revenue				
Fees	$	511,225	$	463,839
Grants		71,506		52,823
Other		9,312		42,600
		592,043		559,262
Expense				
Salaries and benefits		495,872		472,948
Other expense		100,062		98,435
		595,934		571,383
Deficiency of revenue over expense	$	(3,891)	$	(12,121)
Statement of Cash Flows				
Cash generated from operating activities	$	3,833	$	62
Cash used for investing activities		(6,346)		(18,607)
Cash generated from financing activities		2,757		15,445
Increase (decrease) in due from Mount Royal College		244		(3,100)
Due from Mount Royal College, beginning of year		30,295		33,395
Due from Mount Royal College, end of year	$	30,539	$	30,295

Note 18 Related Party Transactions (continued)

c) Other Related Parties

The College is a Provincial Corporation as all the members of the Board are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning. Amounts received from the Province are disclosed as follows:

	2002		2001	
	Revenue	Deferred Contributions and Unamortized Deferred Capital Contributions	Revenue	Deferred Contributions and Unamortized Deferred Capital Contributions
Operating grant	31,495,142	-	28,562,092	-
Performance funding envelope	3,515,523	-	3,157,100	-
Learning enhancement envelope	255,609	242,910	311,209	576,665
ACCESS funding - programs	3,833,238	3,024	2,423,302	1,158
ACCESS funding - one-time	2,666,192	4,018,127	1,218,046	6,202,337
Infrastructure renewal envelope	419,507	6,467,338	1,442,723	2,615,294
Calgary Conjoint Nursing Program	1,066,942	-	984,588	-
Knowledge networks envelope	5,000	-	112,066	30,323
Campus expansion	-	94,277,762	-	76,866,682
Inmate Education Program	231,598	30,933	196,075	37,832

During the year, the College conducted business transactions with other public colleges and universities. The revenues and expenses incurred for these business transactions have been included in the statement of operations, but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at these fair value amounts.

Note 19 Commitments

(a) The College leases facilities within Calgary with lease terms of up to ten years. All of these leases expire within the next three years. The minimum operating lease payments for each of the three succeeding fiscal years are as follows:

2003	$ 1,496,737
2004	$ 1,087,479
2005	$ 930,338

Note 19 Commitments (continued)

(b) As at June 30, 2002 the College has commitments of $28,553,729 (2001: $18,961,214) for capital and expansion projects.

(c) In order to manage its exposure to the volatility in the electrical industry, the Board of Governors has entered into a five year contract to fix its electrical cost at 11.2 cents per kilowatt hour for peak hours, and 5.51 cents for off peak hours. Based on management's estimate, the annual costs for the year ending June 30, 2003 are expected to be $2.9 million.

Note 20 Budget

The College is required to submit annually a budget/business plan, approved by the Board, to the Minister of Alberta Learning for approval. The budget/business plan for fiscal year 2001/2002 was approved by the Board on June 4, 2001 and submitted to the Minister thereafter.

	Budget
Revenue	
Grants	$ 40,023,841
Tuition and related fees	21,817,573
Community programs	13,233,236
Sales, rentals and services	12,762,556
Investment income	1,792,036
Donations and contributions	621,842
Earned capital contributions	4,000,000
	$ 94,251,084
Expense	
Salaries and benefits	$ 61,191,807
Supplies and services	16,512,203
Cost of goods sold	5,567,961
Utilities	3,304,905
Scholarships and bursaries	116,600
Amortization	5,000,000
	$ 91,693,476

Note 21 Comparative Figures

Certain 2001 figures have been reclassified to conform to the current year presentation.

Note 22 Subsequent Event

Subsequent to the College's June 30, 2002 year end, the College entered into a loan agreement on August 13, 2002 to borrow the sum of $33.1 million to finance the construction of a new student residence. The loan bears interest at 6.125% per annum and matures August 14, 2027. Security pledged for the loan includes all future cash flows generated through the operation of the new student residence.

Note 23 Approval of Financial Statements

The Board of Governors has approved these financial statements.

ROCKYVIEW AVIATION FUELS LTD.

Financial Statements

For the period ended June 30, 2002

Auditor's Report

Financial Statements:

- Balance Sheet
- Statement of Loss
- Statement of Cash Flows
- Notes to Financial Statements

AUDITOR'S REPORT

To the Shareholder of
Rockyview Aviation Fuels Ltd.

I have audited the balance sheet of the Rockyview Aviation Fuels Ltd. as at June 30, 2002 and the statement of loss and statement of cash flows for the five and one-half months period then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2002 and the results of its operations and its cash flows for the five and one-half months period then ended in accordance with Canadian generally accepted accounting principles.

I also report that the Company was incorporated without appropriate legislative authority. Under the *Financial Administration Act*, the Lieutenant Governor in Council must give approval before a Provincial corporation can be incorporated.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
December 19, 2002

Rockyview Aviation Fuels Ltd.

Balance Sheet

As at June 30, 2002

Assets	
Current Assets	
Cash	$ 840
Accounts receivable	798
Prepaid expenses	885
	2,523
Capital Assets (note 3)	147,641
	$ 150,164
Liabilities	
Current Liabilities	
Accounts payable and accrued liabilities	$ 7,571
Current portion of long term debt (note 4)	2,686
	10,257
Due to Shareholder (note 5)	2,069
Long Term Debt (note 4)	147,314
	159,640
Shareholder's Deficiency	
Share Capital (note 6)	10
Deficit	(9,486)
	(9,476)
	$ 150,164

The accompanying notes are part of these financial statements.

Approved by the Director:

Duane Anderson, Director

Rockyview Aviation Fuels Ltd.

Statement of Loss

For the Period January 17, 2002 to June 30, 2002

Sales	$ 60,829
Cost of sales	49,824
Gross profit	11,005
Expenses	
Accounting and legal	1,227
Bad debts	178
Insurance	1,578
Interest and bank charges	140
Interest on long term debt	4,128
Management fees	2,837
Office	1,262
Repairs and maintenance	454
Telephone	428
Amortization	8,398
	20,630
Loss from operations	(9,625)
Interest income	139
Net loss, for the period	$ (9,486)

Rockyview Aviation Fuels Ltd.

Statement of Cash Flows

For the Period January 17, 2002 to June 30, 2002

Operating activities	
Net loss for the period	$ (9,486)
Items not involving cash:	
Amortization	8,398
Increase in accounts receivable	(798)
Increase in prepaid expenses	(885)
Increase in accounts payable	7,571
	4,800
Financing activities	
Advances from shareholder	2,069
Issuance of share capital	10
Receipt of loan from related party	150,000
	152,079
Investing activities	
Acquisition of capital assets	(156,039)
Cash, end of period	$ 840

Rockyview Aviation Fuels Ltd.
Notes to Financial Statements
June 30, 2002

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1. Nature of Operations

The Company was incorporated on December 19, 2001 under the Business Corporations Act (Alberta) and is a wholly-owned subsidiary of Mount Royal College.

The Company's principal business activity is the retail sale of aviation fuel and commenced operations on January 17, 2002.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. The accounting policies of significance to the Company are as follows:

(a) Revenue recognition

Revenue is recognized when product is received by the customer.

(b) Capital assets

Capital assets are recorded at cost. Assets are amortized on a straight-line basis over their estimated useful lives as follows:

Building	20 years
Computer hardware	3 years
Computer software	3 years
Equipment	20 years

Amortization is charged at the full annual rate in the year of acquisition of an asset and no amortization is charged in the year of disposal.

(c) Income taxes

Income taxes are recorded on a tax allocation basis. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are recognized using enacted income rates. The effect of changes in effective income tax rates is recognized in income in the period in which the change occurs. Future income tax assets are recognized with respect to deductible temporary differences and loss carryforwards only to the extent their realization is considered more likely than not.

(d) Financial instruments

The Company's financial instruments consist of cash, accounts receivable, prepaid expenses and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values.

(e) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

3. Capital Assets

	Cost	**Accumulated Amortization**	**Net Book Value**
Building	$ 2,566	$ 128	$ 2,438
Computer hardware	1,172	391	781
Computer software	930	310	620
Equipment	151,371	7,569	143,802
	$ 156,039	$ 8,398	$ 147,641

4. Long Term Debt

Loan from shareholder, bearing interest at 6.125% repayable in blended annual payments of $11,874 beginning in 2003 (interest payment only in 2002). The loan matures on June 30, 2027 and is secured by a general security agreement covering the assets of the corporation.	$ 150,000
Less: Portion due within one year	(2,686)
	$ 147,314

Principal repayments due are as follows:

2003	$ 2,686
2004	2,851
2005	3,025
2006	3,211
2007	3,407
Subsequent to 2007	134,820
	$ 150,000

5. Due to Shareholder

The amount due to shareholder is non-interest bearing and due on demand. However, the shareholder has indicated that repayment of this amount will not be requested within the next fiscal year. Consequently, this amount has been classified as a non-current liability.

6. Share Capital

Authorized

Unlimited	Class A common voting shares
Unlimited	Class B common voting shares
Unlimited	Class C common voting shares
Unlimited	Class D common voting shares

Issued

100	Class A shares	$ 10

7. Economic Dependence

The Company is economically dependent on Mount Royal College.

8. Related Party Transactions

The Company had the following transactions with Mount Royal College during the period:

Sales	$ 58,181
Interest on long term debt	$ 4,128
Management fees for administrative support	$ 2,837

Transactions with Mount Royal College are entered into on the same business terms as with non-related parties and are recorded at these fair value amounts.

NORQUEST COLLEGE

FINANCIAL STATEMENTS

June 30, 2002

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flow

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of NorQuest College

I have audited the statement of financial position of NorQuest College (the "College") as at June 30, 2002 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CA
Auditor General

Edmonton, Alberta
October 11, 2002

NORQUEST COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2002

	2002	2001
ASSETS		
Current:		
Cash and investments (Note 3)	$ 6,264,187	$ 5,597,683
Accounts receivable	1,223,664	1,360,121
Inventories	153,383	120,859
Prepaid expenses	197,884	122,958
	7,839,118	7,201,621
Non-current cash and investments (Note 3)	6,576,242	3,916,599
Capital assets (Note 4)	20,791,106	20,049,362
	$ 35,206,466	$ 31,167,582
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 1,675,083	$ 1,198,827
Accrued vacation pay	2,236,190	2,023,596
Unearned revenue (Note 5)	827,020	736,294
Deferred contributions (Note 6)	849,038	1,271,794
	5,587,331	5,230,511
Deferred capital contributions (Note 7)	1,481,643	36,528
Unamortized deferred capital contributions (Note 9)	15,901,295	15,551,554
	22,970,269	20,818,593
Net Assets:		
Unrestricted	516,719	493,290
Internally restricted (Note 10)	6,512,667	5,040,891
Invested in capital assets	4,889,811	4,497,808
	11,919,197	10,031,989
Endowments (Note 11)	317,000	317,000
	12,236,197	10,348,989
	$ 35,206,466	$ 31,167,582

NORQUEST COLLEGE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2002

	2002		2001
	Budget (Note 19)	Actual	Actual
Revenue:			
Grants and other provincial government contributions (Note 12)	$ 19,815,469	$ 19,782,693	$ 17,447,213
Tuition and related fees	8,170,953	7,451,719	7,450,325
Contract programs and services	2,530,231	2,482,811	2,318,954
Other sales, services and rental income	1,274,230	1,881,800	2,302,980
Amortization of deferred capital contributions (Note 9)	1,000,000	1,056,496	1,054,841
Interest income (Note 14)	300,000	444,227	518,630
Donations and contributions	-	53,242	16,557
	33,090,883	33,152,988	31,109,500
Expense (Note 15):			
Salaries, wages and benefits (Note 16)	23,857,892	22,943,826	20,822,607
Supplies and services	1,796,045	2,038,021	1,951,133
Amortization and loss on disposal	1,800,000	1,577,270	1,396,488
Leases and rentals	1,081,950	1,033,558	953,165
Repairs and maintenance	841,700	821,843	720,131
Purchases for resale	190,600	689,491	986,080
Contracted services	965,356	670,039	947,328
Marketing	403,500	532,723	467,428
Utilities	645,000	417,086	406,986
Telecommunications	306,716	312,136	290,157
Professional development	364,427	184,826	158,723
Scholarships and bursaries	-	44,961	13,775
	32,253,186	31,265,780	29,114,001
Excess of revenue over expense	$ 837,697	$ 1,887,208	$ 1,995,499

NORQUEST COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002

	2002					2001
	Unrestricted	Internally Restricted	Invested in Capital Assets	Endowments	Total	Total
Excess of revenue over expense	$ 1,887,208	$ -	$ -	$ -	$ 1,887,208	$ 1,995,499
Endowment contributions	-	-	-	-	-	72,000
Transfers for:						
Acquisition of internally funded capital assets	(917,643)	-	917,643	-	-	-
Net book value of capital assets disposed	4,587	-	(4,587)	-	-	-
Amortization of internally funded capital assets	521,053	-	(521,053)	-	-	-
Board appropriations (Note 10)	(2,265,176)	2,265,176	-	-	-	-
Amount expended (Note 10)	793,400	(793,400)	-	-	-	-
Increase in net assets	23,429	1,471,776	392,003	-	1,887,208	2,067,499
Net assets, beginning of period	493,290	5,040,891	4,497,808	317,000	10,348,989	8,281,490
Net assets, end of period	$ 516,719	$ 6,512,667	$ 4,889,811	$ 317,000	$ 12,236,197	$ 10,348,989

NORQUEST COLLEGE
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2002

	2002	2001
Cash generated from (used by):		
Operating activities:		
Excess of revenue over expense	$ 1,887,208	$ 1,995,499
Non-cash transactions:		
Amortization of capital assets - externally funded	1,054,376	1,049,452
Amortization of capital assets - internally funded	521,053	356,333
Amortization of deferred capital contributions (Note 9)	(1,056,496)	(1,054,841)
Loss (Gain) on disposal of capital assets	1,841	(9,297)
	2,407,982	2,337,146
Changes in working capital:		
Accounts receivable	136,457	(142,821)
Inventories	(32,524)	(2,399)
Prepaid expenses	(74,926)	12,622
Accounts payable and accrued liabilities	476,256	153,785
Accrued vacation pay	212,594	211,019
Unearned revenue	90,726	180,584
Deferred contributions	(422,756)	608,032
	385,827	1,020,822
Cash provided by operating activities	2,793,809	3,357,968
Investing activities:		
Proceeds on disposal of capital assets	4,866	18,705
(Increase) Decrease in non-current cash and investments - net	(2,659,643)	318,165
Acquisition of capital assets - internally funded	(917,643)	(1,070,474)
Acquisition of capital assets - externally funded	(1,406,237)	(2,316,539)
Cash applied to investing activities	(4,978,657)	(3,050,143)
Financing activities:		
Capital contributions received (Note 7)	2,841,522	1,150,804
Endowment contributions	-	72,000
Donated equipment	9,830	9,599
Cash generated from financing activities	2,851,352	1,232,403
Increase in cash	666,504	1,540,228
Cash and investments at beginning of period	5,597,683	4,057,455
Cash and investments at end of period	$ 6,264,187	$ 5,597,683

Note 1 Authority and Purpose

NorQuest College (the "College") was established as a public vocational college on May 14, 1997 by the Lieutenant Governor in Council under the authority of the Colleges Act, Chapter C-19, Revised Statutes of Alberta 2000C, as amended. On August 25, 1999 the Lieutenant Governor in Council approved the name change of Alberta Vocational College – Edmonton to NorQuest College.

Serving primarily communities in central Alberta, the College provides instruction and training to assist adult learners through academic upgrading programs; career entry training in business, health, trades, technical and service industries; and English as a second language programs. The College maintains a special interest in providing programs and services to aboriginal communities.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

(i) Unrestricted Contributions

Unrestricted operating grants and contributions are recognized as revenue in the period when receivable.

(ii) Restricted Contributions

Externally restricted grants and contributions received primarily for non capital purposes are deferred and recognized as revenue in the period when related expenses are incurred.

Externally restricted contributions received primarily for capital purposes are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to Unamortized Deferred Capital Contributions. Unamortized Deferred Capital Contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Restricted contributions for the purchase of capital assets, which will not be amortized, are recorded as direct increases in Invested in Capital Assets.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets as Endowments.

(iii) Investment Income

Unrestricted investment income is recognized in the year it is earned. Investment income subject to external restrictions is deferred and recognized as revenue in the period the related expenses are incurred.

(iv) Donations

Donations and contributions in kind are recorded at fair value.

(v) Program Delivery

Revenue from tuition fees, education contract programs and sale of goods and services is recognized as revenue in the period in which the goods are delivered or the services are provided.

Revenue from long-term education contracts are determined on the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

(b) Inventories

Inventories for resale are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(c) Capital Assets

Capital assets are recorded at cost, except donated assets, which are recorded at fair value.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Buildings, site and leasehold improvements	10 - 40 years
Furniture, equipment and vehicles	10 years
Library collection	10 years
Curriculum	10 years
Computer hardware	5 years
Computer software	5 years
Rental books	5 years

Capital assets transferred from Alberta Learning are amortized over their useful life from the date originally acquired by Alberta Learning. Buildings transferred from Alberta Infrastructure are amortized over their estimated remaining useful lives from the date acquired by the College.

(d) Employee Future Benefits

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan. These pension plans are multi-employer defined benefit pension plans, that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the cost of employer contributions, for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(e) Full Cost

The College accounts for all significant costs and revenues related to the services it delivers. The fair value of costs of services provided by Alberta Infrastructure is recorded, with a corresponding amount in grants and other provincial government contributions. This consists of the fair value represented by Alberta Infrastructure's amortization cost of the buildings occupied by the College, an estimate of the fair value of buildings which are leased by the College at a discounted or nominal cost, an estimate of the fair value of internet services, and an estimate of the fair value of courier services.

(f) Financial Instruments

The carrying value of cash, receivables, payables and accruals approximate their fair values due to the relatively short periods of maturity of the instruments.

Note 3 Cash and Investments (current and non-current)

	2002		2001	
	Book Value	Market Value	Book Value	Market Value
a) Cash - operating	$ 853,892	$ 853,892	$ 1,717,377	$ 1,717,377
Cash - investment fund	569,947	569,947	7,796,905	7,796,905
Total cash	1,423,839	1,423,839	9,514,282	9,514,282
Canada Treasury Bills	1,488,165	1,491,390	-	-
Government of Canada bonds	5,181,425	5,230,765	-	-
Provincial bonds	4,747,000	4,783,331	-	-
Total investments	11,416,590	11,505,486	-	-
Total cash and investments	12,840,429	$ 12,929,325	9,514,282	$ 9,514,282
Less non-current portion	(6,576,242)		(3,916,599)	
Cash and investments - current	$ 6,264,187		$ 5,597,683	

Investments by range of maturity date are as follows:

	2002		
	Book Value	Market Value	Effective Yield to Maturity
Maturity less than one year	$ 1,488,165	$ 1,491,390	2.72%
Maturity 1 - 5 years, Bonds	5,250,900	5,285,021	4.57%
Maturity 5 - 10 years, Bonds	4,677,525	4,729,075	5.49%
	$ 11,416,590	$11,505,486	

The market value of investments may fluctuate with changes in current interest rates. Market values may decrease if interest rates increase and may increase if interest rates decrease.

Term to maturity of investments is based upon the contractual maturity of the security.

b) Non-current cash and investments comprise:

	2002	2001
Internally restricted for capital purposes	$ 4,777,599	$ 3,563,071
Externally restricted for capital purposes	1,481,643	36,528
Endowments	317,000	317,000
	$ 6,576,242	$ 3,916,599

Note 4 Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 2,540,000	$ -	$ 2,540,000	$ 2,540,000
Buildings, site and leasehold improvements	15,606,569	1,093,441	14,513,128	14,134,770
Computer hardware	3,517,650	1,927,832	1,589,818	1,450,201
Computer software	1,336,853	525,668	811,185	773,441
Rental books	695,267	474,757	220,510	195,799
Furniture, equipment and vehicles	904,126	254,410	649,716	616,305
Library collection	646,607	310,294	336,313	338,846
Curriculum	150,242	19,806	130,436	-
	$ 25,397,314	$ 4,606,208	$ 20,791,106	$ 20,049,362

Software includes licence fees and direct costs dedicated to the Agresso financial systems development project.

Capital assets transferred from Alberta Learning were recorded at the net carrying amount at September 1, 1997, the date of transfer.

Ownership of the main campus land and buildings was transferred to the College from Alberta Infrastructure on March 31, 2000 for consideration of $1.00. The land and buildings were recorded at a fair market value of $2,540,000 and $12,160,000, respectively, as determined by an independent appraisal. The Province's net book value at March 31, 2000 was $2,268,419.

Note 5 Unearned Revenue

	2002	2001
Tuition fees	$ 809,186	$ 703,430
Contract programs	9,166	23,632
Ancillary services and other	8,668	9,232
	$ 827,020	$ 736,294

Note 6 Deferred Contributions

The deferred contribution balance represents amounts accounted for in accordance with the policy described in Note 2(a).

	2002	2001
Restricted donations and contributions received during the year:		
Conditional grants	$3,472,593	$ 4,521,954
Donations and contributions	97,913	56,991
Interest income (Note 14)	10,207	9,924
	3,580,713	4,588,869
Transferred to revenue:		
Conditional grants, Alberta Learning (Note 12)	(2,160,566)	(1,460,888)
Conditional grants, Government of Canada (Note 12)	(1,458,430)	(1,603,932)
Conditional grants, Alberta Health and Wellness (Note 12)	-	(205,884)
Conditional grants, other (Note 12)	(5,327)	(5,567)
Donations and contributions	(53,242)	(1,521)
Interest (Note 14)	(11,632)	(11,537)
	(3,689,197)	(3,289,329)
Transferred to deferred capital contributions (Note 7)	(314,272)	(604,927)
Transfer remaining energy grant to accounts payable	-	(86,581)
	(314,272)	(691,508)
(Decrease) Increase during the year	(422,756)	608,032
Balance at beginning of year	1,271,794	663,762
Balance at end of year	$ 849,038	$ 1,271,794

The balance consists of funds restricted for:

	2002	2001
Health careers expansion	$ 692,290	$ 1,020,512
Scholarships and bursaries	148,996	105,750
Practical nursing curriculum	4,752	10,930
Personal Support Aide Conference	3,000	-
Instructional resources	-	80,125
Aboriginal practical nurse	-	21,047
Testbank conversion	-	18,902
Pre-trades installer	-	8,098
Alberta North	-	5,327
Safety training curriculum	-	1,103
	$ 849,038	$ 1,271,794

Note 7 Deferred Capital Contributions

	2002	2001
Conditional grants:		
Alberta Infrastructure	$ 2,259,000	$ 545,877
Alberta Learning	216,000	-
Edmonton Community Lottery Board	52,250	-
Transferred from deferred contributions (Note 6)	314,272	604,927
	2,841,522	1,150,804
Transferred to unamortized deferred capital contributions (Note 9)	(1,396,407)	(2,306,940)
	1,445,115	(1,156,136)
Balance at beginning of year	36,528	1,192,664
Balance at end of year	$ 1,481,643	$ 36,528
The balance consists of funds restricted for:		
Alberta Infrastructure - Facilities renewal	$ 1,047,698	$ -
Alberta Learning - Health Careers expansion	216,000	-
Alberta Infrastructure - Health Careers expansion	202,945	-
Alberta Infrastructure - Feasibility study	15,000	-
Agresso systems development	-	36,528
	$ 1,481,643	$ 36,528

Note 8 Pension Costs

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan. The pension expense recorded in these financial statements is equivalent to the College's annual contributions of $965,863 for the year ended June 30, 2002 (2001 - $861,304).

At December 31, 2001, the Management Employees Pension Plan reported a surplus of $5,338,000 (2000 - $170,858,000) and the Public Service Pension Plan reported a surplus of $320,487,000 (2000 - $635,084,000).

Note 9 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions reflect transactions accounted for in accordance with the accounting policy described in Note 2 (a).

	2002	2001
Balance at beginning of year	$ 15,551,554	$ 14,289,856
Amortization of deferred capital contributions	(1,056,496)	(1,054,841)
Transferred from deferred capital contributions (Note 7)	1,396,407	2,306,940
Donated equipment	9,830	9,599
Balance at end of year	$ 15,901,295	$ 15,551,554

Note 10 Internally Restricted Net Assets

Internally restricted net assets represent amounts restricted by the College Board of Governors to be used for the following designated purposes. These amounts are not available for other purposes without the approval of the Board.

	2002			
	Opening	Appropriations	Expended	Closing
Capital:				
Facilities	$ 2,187,099	$ 544,380	$ (43,992)	$ 2,687,487
Equipment	1,445,904	-	-	1,445,904
Systems development	250,000	500,000	(105,792)	644,208
	3,883,003	1,044,380	(149,784)	4,777,599
Strategic investment	383,275	7,875	(125,087)	266,063
Technology renewal	326,066	187,118	(156,754)	356,430
Organizational development	218,319	600,000	(352,646)	465,673
Curriculum development	200,000	419,654	-	619,654
Scholarships	30,228	6,149	(9,129)	27,248
Totals	$ 5,040,891	$ 2,265,176	$ (793,400)	$ 6,512,667

Note 11 Endowments

Endowments consist of restricted donations to the College and internal allocations by the Board of Governors, the principal of which is not to be spent. Investment earnings on externally restricted endowments are recorded as deferred contributions until spent, at which time they are recorded as revenue. Investment earnings on internally restricted endowments are recorded as revenue and transferred to internally restricted net assets until spent. The investment income generated from endowments must be used in accordance with the purposes established by the donors or the Board of Governors. Endowments comprise the following:

	2002	2001
Externally restricted for scholarships and bursaries	$ 196,000	$ 196,000
Internally restricted:		
Scholarships and bursaries	84,000	84,000
Literacy	27,000	27,000
Graduation	10,000	10,000
	121,000	121,000
	$ 317,000	$ 317,000

Note 12 Grants and Other Provincial Government Contributions

	2002	2001
Alberta Learning:		
General operating grant	$ 15,103,037	$ 13,415,927
Performance envelope	629,784	366,280
Conditional grants (Note 6)	2,160,566	1,460,888
Alberta Infrastructure		
Contributions in kind (Note 18)	425,549	388,735
Alberta Health and Wellness (Note 6)	-	205,884
Government of Canada (Note 6)	1,458,430	1,603,932
Other conditional grants (Note 6)	5,327	5,567
	$ 19,782,693	$ 17,447,213

Note 13 Ancillary Services

	2002				2001
	Campus Store	Rental Books	Other Ancillary	Total	Total
Revenue:					
Other sales, services and rental income	$ 800,181	$ 807,293	$ 151,744	$ 1,759,218	$ 2,173,682
Contract programs and services	-	-	80,344	80,344	117,572
Tuition and related fees	-	-	86,510	86,510	86,697
Amortization of deferred capital contributions	-	-	-	-	47,745
	800,181	807,293	318,598	1,926,072	2,425,696
Expense (Note 15)	(726,077)	(428,547)	(191,935)	(1,346,559)	(1,857,684)
Net	74,104	378,746	126,663	579,513	568,012
Indirect expenses	(63,621)	(124,408)	(17,876)	(205,905)	(64,446)
Excess	$ 10,483	$ 254,338	$ 108,787	$ 373,608	$ 503,566

Indirect expenses include estimates for the cost of use of space, facility operating costs, and institutional support. Other ancillary services include parking and cost recovery assessment services.

Note 14 Interest Income

	2002	2001
Interest earnings	$ 442,802	$ 517,017
Add deferred amounts expended (Note 6)	11,632	11,537
Less amounts transferred to deferred contributions for scholarships and bursaries (Note 6)	(10,207)	(9,924)
Total interest income recognized as revenue	$ 444,227	$ 518,630

Note 15 Expense by Function

	2002	2001
Instruction	$13,279,376	$12,251,200
Academic support	5,224,662	4,693,174
Facilities operations and maintenance	4,069,862	3,836,722
Student services	3,091,216	2,768,770
Institutional support	3,010,381	2,628,973
Ancillary services (Note 13)	1,346,559	1,857,684
Computing, network and communications	1,243,724	1,077,478
	$31,265,780	$29,114,001

Instruction encompasses all formal educational and instructional program elements.

Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services.

Facilities operations and maintenance includes building maintenance, facilities administration, custodial services, utilities, repairs and renovations, capital amortization and other activities for the management of the facilities.

Student services includes all activities or services to the student body of the College.

Institutional support includes all activities that provide College-wide support to other programs and services.

Ancillary services include self supporting revenue producing services provided to students and faculty or staff.

Computing, network and communications includes activities and services that provide and support computing, networking, data communications and other information technology functions.

Note 16 Salaries, Wages and Benefits

The following information is prepared in accordance with Treasury Board Directive No. 12/98 and only includes salary and benefit information for the Board and Executive Management:

	2002			2001
	Salary[1]	Benefits and Allowances (2)	Total	Total
Chairman of the Board	$ 2,400	$ -	$ 2,400	$ 2,400
Board Members	11,650	-	11,650	14,500
President	117,478	14,949	132,427	121,519
Vice President - College Services	94,882	14,903	109,785	105,633
Vice President - Instruction	94,632	13,532	108,164	104,198
Director - Academic Upgrading	82,906	14,530	97,436	89,966
Director - Language Training	79,594	14,210	93,804	86,628
	$ 483,542	$ 72,124	$ 555,666	$ 524,844

1) Salaries and benefits represent the actual salary and benefits expense and include base pay, overtime pay, directors fees, flexible health plan benefits, amounts deferred for future leave and other direct cash remuneration.

2) Benefits and allowances include the College's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, and professional memberships required for employment.

Note 17 Commitments and Contingencies

Future minimum annual lease payments under operating leases and other commitments are:

2003	$1,149,193
2004	998,262
2005	926,921
2006	129,775
2007 and thereafter	175,315

Included in the above is a major contract to provide facility maintenance services. The contract is for the period June 30, 2002 to June 30, 2005. The total outstanding commitment at June 30, 2002 is $2,132,468.

Note 18 Related Parties

(a) Alberta Government and Alberta Post-Secondary Education Institutions

The College is a Provincial Corporation. All of the members of the Board of Governors are appointed pursuant to the Colleges Act by a combination of orders by the Lieutenant Governor in Council or the Minister of Learning. In accordance with the accounting policy described in Note 2 (e), the College accounts for all significant costs related to the services for which it is responsible.

In the normal course of operations, the College engages in brokerage and other collaborative arrangements with other post-secondary educational institutions in Alberta. These institutions are also Provincial Corporations.

The College had the following transactions with related parties:

	Alberta Government		Post Secondary Collaboration	
	2002	2001	2002	2001
Revenues:				
Grants and other provincial government contributions	$ 18,282,122	$ 15,837,715	$ -	$ -
Contract programs	1,238,192	1,111,317	729,142	660,866
Amortization of deferred capital contributions	1,053,123	1,052,451	-	-
Other sales, services and rental income	51,422	483	44,555	45,645
	$ 20,624,859	$ 18,001,966	$ 773,697	$ 706,511
Expenses:	$ -	$ -	$ 41,800	$ 37,443
Contributions in kind	425,549	388,735	-	-
	$ 425,549	$ 388,735	$ 41,800	$ 37,443
Accounts receivable	$ 262,658	$ 571,638	$ 173,709	$ 106,006
Accounts payable	$ -	$ 86,581	$ 22,325	$ -
Deferred contributions	$ 2,178,684	$ 1,167,413	$ -	$ 35,159
Unamortized deferred capital contributions	$ 15,875,440	$ 15,532,156	$ -	$ -

Contributions in kind from Alberta Infrastructure include an estimation of the value of the amortization cost for buildings owned by Alberta Infrastructure but used by the College to March 31, 2000, at which time ownership was transferred to the College (Note 4). It also includes an estimate of the fair value of the buildings leased by the College from Alberta Infrastructure at nominal or discounted amounts, and estimates of the fair value of courier and internet services.

(b) Joint Venture

On December 18, 1998, the Lieutenant Governor in Council approved the incorporation of a corporation, to be owned equally by Northern Lakes College, Portage College, NorQuest College and Bow Valley College. On February 10, 1999, 818196 Alberta Ltd. was incorporated pursuant to the Alberta Business Corporations Act.

The Corporation was created for the purpose of holding the jointly developed intellectual property transferred from her Majesty the Queen in Right of the Province of Alberta as represented by the Minister of Learning. The fair value of the intellectual property transferred cannot be reasonably determined. As at June 30, 2002, this Corporation was not active.

Note 19 Budget

The Board of Governors approved the College's annual budget on June 4, 2001.

	Board Approved Budget	Reclassification and Restatement[a,b]	Reported Budget
Revenue:			
Grants and other provincial government contributions	$ 17,913,840	$ 1,901,629	$ 19,815,469
Tuition and related fees	8,170,953	-	8,170,953
Contract programs and services	4,006,311	(1,476,080)	2,530,231
Other sales, rentals and services income	1,574,230	(300,000)	1,274,230
Amortization of deferred capital contributions	1,000,000	-	1,000,000
Investment income	-	300,000	300,000
Donations and contributions	-	-	-
	32,665,334	425,549	33,090,883
Expense:			
Salaries, wages and benefits	23,857,892	-	23,857,892
Supplies and services	5,184,618	(3,388,573)	1,796,045
Amortization and loss on disposal	1,800,000	-	1,800,000
Leases and rentals	-	1,081,950	1,081,950
Repairs and maintenance	-	841,700	841,700
Purchases for resale	-	190,600	190,600
Contracted services	-	965,356	965,356
Marketing	-	403,500	403,500
Utilities	644,000	1,000	645,000
Telecommunications	-	306,716	306,716
Professional development	341,127	23,300	364,427
Scholarships and bursaries	-	-	-
Commitments to reserves	859,290	(859,290)	-
	32,686,927	(433,741)	32,253,186
Excess (Deficiency) of revenue over expense	$ (21,593)	$ 859,290	$ 837,697

The approved budget was reclassified to conform to financial statement classifications of revenue and expense, and it was also restated. Restatements included:

a) Removal of $859,290 from expenses representing the budgeted amount for internal transfers and operating contingency.

b) An increase in both expenses and revenues of $425,549 representing estimates of contributions in kind from the Provincial Government which were not included in the budget.

Note 20 Funds Held on Behalf of Others

The College provides accounting services to certain entities. The following funds, held by the College on their behalf, are not included in these financial statements:

	2002	2001
NorQuest College Faculty Association	$ 140,008	$ 89,099
Deferred Salary Leave Plan	85,960	11,793
NorQuest College Students' Association	67,972	29,487
NorQuest College Staff Social Fund - Spirit Planners	6,775	5,970
Marine Biology Student Fund	76	24
	$ 300,791	$ 136,373

Note 21 Comparative Figures

Certain comparative amounts have been reclassified where necessary to conform to the current year's financial statement presentation.

Note 22 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

NORTHERN LAKES COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 2002

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Changes in Cash Flows

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Northern Lakes College

I have audited the consolidated statement of financial position of Northern Lakes College as at June 30, 2002 and the consolidated statements of operations, the consolidated statement of changes in net assets, and the consolidated statement of cash flows for the year then ended. These consolidated financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly in all material respects, the financial position of the College as at June 30, 2002 and the consolidated results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
September 27, 2002

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2002

	2002	2001 (As Restated Note 3)
ASSETS		
Current:		
Cash	$ 5,314,069	$ 5,745,000
Accounts receivable	843,470	661,264
Inventories	113,440	124,143
Prepaid expenses	71,883	92,261
	6,342,862	6,622,668
Non-current cash (Note 4)	200,859	184,727
Investments (Note 5)	1,320,951	429,534
Capital assets (Note 6)	32,021,515	31,749,497
	$39,886,187	$38,986,426
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 1,286,068	$ 1,224,750
Accrued vacation pay	1,900,747	1,781,982
Unearned revenue (Note 7)	100,606	49,440
Deferred contributions (Note 8)	1,532,638	946,779
Security deposits held	24,487	11,490
Current portion of capital lease obligation (Note 10)	18,064	16,370
	4,862,610	4,030,811
Deferred capital contributions (Note 9)	135,859	119,727
Long-term portion of capital lease obligation (Note 10)	62,514	80,577
Unamortized deferred capital contributions (Note 11)	27,446,380	28,101,471
	32,507,363	32,332,586
Net assets:		
Operating		
Unrestricted net assets	2,806,325	3,026,379
Invested in capital assets	4,494,557	3,551,079
Internally restricted net assets (Note 12)	12,942	11,382
	7,313,824	6,588,840
Endowments	65,000	65,000
	7,378,824	6,653,840
	$39,886,187	$38,986,426

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2002

	June 30, 2002		June 30, 2001
	Budget (Note 23)	Actual	Actual (As Restated Note 3)
Revenue:			
Grants and provincial government contributions (Note 13)	$ 16,449,444	$ 16,643,046	$ 15,597,070
Tuition and related fees	3,586,416	3,594,234	3,381,771
Sales, rentals and services (Note 14)	1,006,425	1,141,427	1,058,912
Contract programs	338,164	433,523	242,592
Investment income (Note 15)	177,726	222,500	403,260
Logging equipment operator program	570,000	192,868	342,935
Donations and contributions	11,800	91,308	11,570
Miscellaneous	36,200	48,761	81,302
Gain on disposal of capital assets	50,000	-	1,590
Amortization of deferred capital contributions (Note 11)	1,315,050	1,301,505	1,278,104
	23,541,225	23,669,172	22,399,106
Expense (Note 16)			
Salaries, wages and benefits (Note 17)	13,524,813	13,018,604	12,625,714
Supplies and services	5,752,162	5,658,108	5,289,062
Amortization	2,016,500	1,913,288	1,725,109
Utilities and property tax	794,400	1,032,205	979,801
Travel	479,590	503,927	410,058
Cost of goods sold	300,500	380,742	377,837
Repairs and maintenance	311,400	195,350	245,951
Facilities rental	313,350	194,401	276,136
Scholarships and bursaries	52,500	57,063	34,399
	23,545,215	22,953,688	21,964,067
Excess (deficiency) of revenue over expense	$ (3,990)	$ 715,484	$ 435,039

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2002

	June 30, 2002					June 30, 2001
	Endowments	Internally Restricted Net Assets	Invested in Capital Assets	Unrestricted	Total	(As Restated Note 3) Total
Excess of revenue over expense	$ -	$ -	$ -	$ 715,484	$ 715,484	$ 435,039
External endowment contributions	-	-	-	-	-	15,000
Contribution of land	-	-	-	-	-	32,600
Contribution to museum historical village project	-	-	9,500	-	9,500	-
Transfers for:						
Payment of capital lease principal	-	-	16,370	(16,370)	-	-
Acquisition of internally funded capital assets	-	-	1,529,391	(1,529,391)	-	-
Disposal of internally funded capital assets	-	-	(2,206)	2,206	-	-
Amortization of internally funded capital assets	-	-	(609,577)	609,577	-	-
Internal restrictions	-	1,560	-	(1,560)	-	-
Increase(decrease) in net assets	-	1,560	943,478	(220,054)	724,984	482,639
Net assets, beginning of period	65,000	11,382	3,551,079	3,026,379	6,653,840	6,171,201
Net assets, end of period	$ 65,000	$ 12,942	$4,494,557	$ 2,806,325	$7,378,824	$ 6,653,840

NORTHERN LAKES COLLEGE

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2002

	June 30, 2002	June 30, 2001 (As Restated Note 3)
Cash generated from (used by):		
Operating activities:		
Excess of revenue over expense	$ 715,484	$ 435,039
Non-cash transactions		
Amortization of deferred capital contributions	(1,301,505)	(1,278,104)
Amortization of capital assets	1,913,288	1,725,109
Gain on disposal of capital assets	-	(1,590)
	1,327,267	880,454
Changes in non-cash working capital (Note 18)	678,980	(139,407)
Cash generated from operating activities	2,006,247	741,047
Investing activities:		
Net increase in investments	(891,417)	(130,571)
Net (increase) decrease in non-current cash	(16,132)	683,265
Acquisition of capital assets	(2,185,305)	(3,308,220)
Proceeds on disposal of capital assets	-	32,943
Cash applied to investing activities	(3,092,854)	(2,722,583)
Financing activities:		
Long-term debt	-	107,167
Principal payments of long-term debt	(16,370)	(10,220)
Endowment contributions	-	15,000
Capital contributions received (Note 9)	662,546	1,095,992
Contribution from Alberta Lottery Fund for Historical Village Project (Note 6)	9,500	-
Contributions of capital from Environmental Protection (Note 6)	-	287,600
Cash generated from financing activities	655,676	1,495,539
Decrease in cash	(430,931)	(485,997)
Cash at beginning of period	5,745,000	6,230,997
Cash at end of period	$ 5,314,069	$ 5,745,000

NORTHERN LAKES COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2002

Note 1 Authority and Purpose

Northern Lakes College was established as a public college on May 14, 1997 by the Lieutenant Governor in Council under the authority of the Colleges Act, Chapter C-19, Revised Statutes of Alberta 2000, as amended. The College is a registered charity and is exempt from the payment of income taxes under section 149 of the Income Tax Act.

Serving primarily communities in north central Alberta, the College provides quality educational programs and services which enable adults to continue their education, to improve their employment opportunities, and to enhance their quality of life. The College accomplishes its mission and mandate for services through: direct and distance delivered programs and courses; numerous credit and non-credit offerings; brokerage and collaborative arrangements; partnerships with business, industry, institutions and agencies; a structured network of community involvement in needs definition, student and staff selection, and assessment of College effectiveness; and use of technology to provide affordable and accessible programs and services to a wide geographic area.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These consolidated financial statements include the accounts of the College, the Council of Community Education Committees Society of Northern Lakes College (the "CCEC") and the Sunrise Higher Education Foundation (the "Foundation"). Both entities operate under the Alberta Societies Act and are registered charitable organizations for income tax purposes. The CCEC acts as a partner with the College reviewing, monitoring and advising on college service priorities in addition to operating and managing numerous programs and courses. The CCEC is made up of 22 education committees representing numerous community agencies and organizations in north central Alberta. The Foundation manages a co-operative university transfer program which provides full time program advisors and study skills tutors to assist students in developing the skills necessary to succeed.

(b) Revenue Recognition

(i) Unrestricted Contributions

Unrestricted operating grants and contributions are recognized as revenue in the period when receivable.

(ii) Restricted Contributions

Externally restricted non-capital grants and contributions are deferred and recognized as revenue in the period when related expenses are incurred.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Restricted contributions for the purchase of capital assets which will not be amortized are recorded as direct increases in net assets.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

(iii) Investment Income

Unrestricted investment income is recognized in the year it is earned.

Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as a direct increase to net assets, or is deferred and recognized as revenue in the period the related expenses are incurred.

(iv) Donations

Donations and contributions in-kind are recorded at fair value when such value can reasonably be determined.

(v) Program Delivery

Revenue from tuition fees, education contract programs and sale of goods and services is recognized as revenue in the period in which the goods are delivered or the services are provided.

Revenue from long-term education contracts is determined on the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

(c) Inventories

Inventories for resale are valued at the lower of cost, or estimated cost, and estimated net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

(d) Investments

Non-current investments are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the period to maturity. The cost of disposal is determined on the average cost basis. Gains or losses realized on disposal are recognized in the period of disposal.

Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

(e) Capital Assets and Collections

Capital assets are recorded at cost, except donated assets which are recorded at fair value, when fair value is reasonably determinable.

Capital assets, except work in progress which is amortized upon completion, are amortized on a straight-line basis over the following estimated average useful lives:

Buildings and site improvements	10 - 40 years
Telecommunications equipment	5 - 10 years
Furniture and equipment	5 - 10 years
Logging and heavy equipment	2 - 10 years
Vehicles	2 - 10 years
Library holdings	2 - 10 years
Curriculum development	5 years
Computer equipment and software	5 years

Leasehold improvements are amortized over the lower of expected useful life of the related buildings and the remaining term of the lease.

Museum Collections are recorded at cost and are not amortized.

(f) Employee Future Benefits

The College participates in the Province of Alberta's Public Service and the Management Employees Pension Plans. These pension plans are multi-employer defined benefit plans that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the Public Service and the Management Employees Pension Plans. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(g) Financial Instruments

The carrying value of cash, receivables and payables, and accruals approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of investments is market value. The market value of publicly traded investments is based on quoted market prices.

Note 3 Prior Period Adjustment

Under a funding agreement with Alberta Human Resources and Employment (HRE), the College is required to return tuition and mandatory fee overpayments to HRE when students withdraw from studies. Previously, not all amounts owing were recorded in the College's financial statements. During the year adjustments were made on a retroactive basis along with restatement. In the current period revenue was reduced by $46,450 and accounts payable increased by $46,450. The effect of these changes on the prior period amounts are described below.

	2001		
	As Previously Reported	Adjustment	As Restated
Tuition Revenue	3,435,571	(53,800)	3,381,771
Accounts Payable	1,008,700	216,050	1,224,750
Opening Unrestricted Net Assets	3,416,030	(162,250)	3,253,780
Unrestricted Net Assets	3,242,429	(216,050)	3,026,379

Note 4 Non-current Cash

Non-current cash consists of amounts related to:

	June 30, 2002	June 30, 2001
Externally restricted for capital purposes	$ 135,859	$ 119,727
Endowments	65,000	65,000
	$ 200,859	$ 184,727

Cash restricted for endowment purposes represent restricted contributions subject to stipulations specifying that the principal be maintained permanently, although the constituent assets may change from time to time. Investment earnings are to be used for purposes as designated by the contributors. Endowment balance includes an endowment of $5,000 established by the Board of Governors for scholarships.

Note 5 Investments

Investments are comprised of:

	June 30, 2002		June 30, 2001
	Market	Cost	Cost
Cash held by Investment Manager	$ 16,711	$ 16,711	$ -
Term deposits	120,000	120,000	245,000
Fixed Income			
Federal guaranteed bonds	649,893	646,626	-
Provincial guaranteed bonds	353,996	349,691	-
	1,003,889	996,317	-
Equities			
Balanced mutual fund	93,365	91,352	89,142
Overseas equity mutual fund	34,021	44,872	44,787
Money market funds	51,699	51,699	50,605
	179,085	187,923	184,534
	$ 1,319,685	$ 1,320,951	$ 429,534

Income and financial returns are exposed to credit and price risks. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Price risk is comprised of interest rate risk and market risk. Interest rate risk relates to the possibility that the investments will change in value due to the future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Where market value is less than cost, in management's best judgement, and based on market trends, the market value will likely recover above cost within 3 years.

In order to earn the optimal financial returns at an acceptable level of risk, Phillips, Hager & North Investment Ltd. were hired to manage the Overseas Equity and Balanced Mutual funds. These are no-load funds that can be sold at any time. The income from these funds is being reinvested as paid. Risk is reduced through asset class diversification within each asset class and quality constraints on fixed-income and equity instruments. Information regarding investments is as follows:

a) Term Deposits

Term Deposits consist of the following:	June 30, 2002	June 30, 2001
Royal Bank 5.8% term deposit matures July 5, 2005	$ 60,000	$ 60,000
Royal Bank 5.8% term deposit matures July 5, 2005	60,000	60,000
Royal Bank 5.0% term deposit matures October 16, 2001	-	125,000
	$ 120,000	$ 245,000

b) Fixed Income Investments

The terms of the bond portfolio range from 2 years to 8 years with an average term to maturity of 4.5 years. The average effective yield on the bond portfolio is 4.82%.

c) Balanced Fund

This is a mix of Canadian (38.0%), U.S. (14.2%), and International (11.0%) common stocks and bonds, T-Bills and short-term investments (36.8%). This is termed a middle ground, steady income and moderate growth fund.

	January/02 to August/02	4 Year Average
Average annual compound rates of return for the fund:	-9.3%	5.07%

d) Overeseas Equity Fund

This fund is a mix of European, Australian, and Far East common stock providing non-North American diversification.

	January/01 to August/01	1 Year Average
Average annual compound rates of return for the fund:	-16.9%	-14.73%

The Overseas Equity Fund and International Equity Fund were merged in March 2001 creating a new Overseas Equity Fund. As a result, historical rates of return information is not available.

e) Money Market Fund

The Royal Bank Money Market Fund is a conservative T-Bill mutual fund with a monthly income objective. The average monthly return is currently 2.17% and is being reinvested into the fund.

Note 6 Capital Assets and Collections

	June 30, 2002			June 30, 2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings and site improvements	$ 29,393,886	$ 2,217,253	$ 27,176,633	$ 27,097,365
Computer equipment and software	2,708,336	1,677,193	1,031,143	628,422
Logging and heavy equipment	1,169,853	1,043,941	125,912	230,641
Land	1,266,203	-	1,266,203	1,141,276
Library holdings	725,949	460,064	265,885	294,538
Curriculum development	547,067	294,458	252,609	343,545
Furniture and equipment	639,257	224,268	414,989	395,082
Vehicles	509,829	212,392	297,437	180,100
Telecommunication equipment	780,198	136,073	644,125	644,732
Leasehold improvements	201,506	81,774	119,732	102,411
Capital leases	107,168	31,606	75,562	96,995
Museum collections	61,251	-	61,251	41,707
Work in progress	290,034	-	290,034	552,683
	$ 38,400,537	$ 6,379,022	$ 32,021,515	$ 31,749,497

On December 6, 2000, buildings and land owned by Alberta Environment were transferred to the College at their appraised values. The appraised value of the buildings was $255,000 and the value of the land was $32,600.

The museum collections are an educational and cultural resource containing aboriginal artifacts and clothing. The collections are displayed in the Native Cultural Heritage Museum at the Grouard Campus. The museum has also started a program to restore historical buildings to create a future historical site. In April 2002, the Museum received $9,500 from the Alberta Lottery Fund to conduct a feasibility study for the Historical Village Project.

Work in progress represents incomplete capital projects for software development in the amount of $67,497, curriculum development in the amount of $112,800, and building renovations in the amount of $109,737.

Note 7 Unearned Revenue

	June 30, 2002	June 30, 2001
Tuition Fees	$ 100,606	$ 49,305
Ancillary programs	-	135
	$ 100,606	$ 49,440

Note 8 Deferred Contributions

The deferred contributions balance represents amounts accounted for in accordance with the accounting policy described in Note 2 (b) (ii).

	June 30, 2002	June 30, 2001
Balance at beginning of period	$ 946,779	$ 1,503,075
Restricted contributions received during the period:		
Conditional grants	1,658,649	815,479
Donations/contributions	89,239	43,114
Investment income (Note 15)	20,376	40,555
	2,715,043	2,402,223
Transferred to:		
Conditional grants (Note 13)	(492,966)	(328,849)
Donation revenue	(89,583)	(7,075)
Investment income (Note 15)	(15,065)	(36,484)
Deferred capital contributions (Note 9)	(584,791)	(1,083,036)
Balance at end of year	$ 1,532,638	$ 946,779

Unspent amounts at end of period are restricted for:

	June 30, 2002	June 30, 2001
Infrastructure Renewal	768,064	95,410
Slave Lake Pool	440,442	439,555
Student Awards and Scholarships	178,490	185,037
Program Enhancement	119,077	201,007
Alberta North Projects	10,919	10,519
Staff Development	9,694	4,928
Museum	-	4,564
Other	5,952	5,759
	-	-
	$ 1,532,638	$ 946,779

Note 9 Deferred Capital Contributions

The deferred contributions balance represents amounts accounted for in accordance with the accounting policy described in Note 2 (b) (ii).

	June 30, 2002	June 30, 2001
Balance at beginning of period	$ 119,727	$ 822,992
Contributions received during the period:		
Transfers from deferred contributions (Note 8)	584,791	1,083,036
Other contributions	77,755	12,956
	662,546	1,095,992
Transferred to:		
Unamortized deferred capital contributions (Note 11)	(646,414)	(1,799,257)
Balance at end of year	$ 135,859	$ 119,727

Unspent amounts at end of period are restricted for:

	June 30, 2002	June 30, 2001
Career Technology Studies Project	$ 82,147	$ 84,147
Historical building restoration project	53,712	5,612
Powerplay software	-	24,521
AGRESSO financial system development	-	5,447
	$ 135,859	$ 119,727

Note 10 Obligation Under Capital Lease

	Interest Rate %	June 30, 2002	June 30, 2001
Vehicles purchased under capital lease		$ 90,908	$ 115,965
Less: Deferred finance charges	7.6% - 10.6%	(10,330)	(19,018)
		80,578	96,947
Less: Current portion		(18,064)	(16,370)
		$ 62,514	$ 80,577

Future minimum principal lease payments are due as follows:

2003	18,064
2004	62,514
	80,578

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions reflect transactions accounted for in accordance with the accounting policy described in Note 2 (b) (ii). The balance at end of period represents external capital contributions that will be recognized as revenue in future periods.

	June 30, 2002	June 30, 2001
Balance at beginning of year	$ 28,101,471	$ 27,325,318
Add capital assets contributed (Note 6)	-	255,000
Add amount transferred from deferred capital contributions (Note 9)	646,414	1,799,257
Less amount amortized to revenue	(1,301,505)	(1,278,104)
Balance at end of year	$ 27,446,380	$ 28,101,471

Note 12 Net Assets Internally Restricted by the Board

Internally restricted net assets represent amounts that match donations received from employees for a variety of College supported projects. These amounts are not available for other purposes without the approval of the Board.

Note 13 Grants and Provincial Government Contributions

	June 30, 2002	June 30, 2001
Unrestricted:		
Alberta Learning:		
Base operating grant	$ 15,590,709	$ 14,722,748
Faculty and staff retention	345,999	-
Unfunded enrolment	122,000	-
Performance envelope	78,474	406,348
Energy grant	-	121,327
Museum grants	8,311	9,523
Other grants	4,587	8,275
	16,150,080	15,268,221
Transferred from Deferred Contributions (Note 8):		
Access grants	431,046	237,565
Facilities maintenance grant	39,130	54,881
Alberta North - Cap Training	-	20,932
LEE - PNP Extended delivery system	7,953	6,569
Other	14,837	8,902
	492,966	328,849
	$ 16,643,046	$ 15,597,070

Note 14 Sales, Rentals and Services

	June 30, 2002			
	Bookstores	Housing	Other	Total
Sales, rentals and services	$ 496,526	$ 242,076	$ 402,825	$ 1,141,427
Add:				
Amortization of deferred capital contributions	3,032	153,334	-	156,366
Total revenue	499,558	395,410	402,825	1,297,793
Expense (Note 16)	(454,893)	(515,286)	-	(970,179)
Excess (deficiency) of revenue over expenses	$ 44,665	$ (119,876)	$ 402,825	$ 327,614
Excess (deficiency) of revenue over expense (2001)	$ (5,406)	$ (63,777)	$ 312,026	$ 242,843

Other revenues in the amount of $402,825 (2001 - $312,026) represent service contract revenue, rental income, sale of curriculum and other miscellaneous revenue.

Note 15 Investment Income

	June 30, 2002	June 30, 2001
Investment earnings	$ 227,828	$ 407,746
Add amounts transferred from deferred contributions (Note 8)	15,065	36,484
Less amounts transferred to security deposits	(17)	(415)
Less amounts transferred to deferred contributions (Note 8)	(20,376)	(40,555)
Total investment income recognized as revenue	$ 222,500	$ 403,260

Note 16 Expense by Function

	June 30, 2002	June 30, 2001
Instruction	$ 8,062,192	$ 7,782,390
Facilities operations and maintenance	4,416,006	4,271,034
Academic support	3,336,392	2,928,934
Institutional support	2,897,561	2,920,800
Student services	2,201,075	2,101,200
Computing, network and communications	1,070,283	1,011,381
Sales, rentals and services (Note 14)	970,179	948,328
	$ 22,953,688	$ 21,964,067

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services. Student services include all activities or services to the student body of the institution. Institutional support includes all activities that provide institution-wide support to other programs.

Note 17 Salaries, Wages and Benefits

The salary and benefit disclosure is provided pursuant to Treasury Board Directive 12/98 and includes only the salaries and benefits of those individuals in the senior decision making group of the College.

	2002			2001
	Salary[1]	Benefits and Allowances[2]	Total	Total
Board of Governors[3]	$ 29,322	$ 75	$ 29,397	$ 20,507
President[4]	132,866	4,750	137,616	141,144
Vice-President - Learner Services[4]	102,183	14,714	116,897	110,735
Vice-President - College Services[4][5]	87,385	14,779	102,164	95,384
Senior Directors:				
Governance Support Services[6]	-	-	-	96,606
Deans:				
Academic Upgrading Services[4]	87,934	14,556	102,490	95,486
Career Services[4]	86,029	13,077	99,106	77,167

(1) Salaries include base pay, bonuses, overtime pay, vacation payouts, honoraria and other direct cash remuneration.

(2) Benefits and allowances include the College's share of all employee benefits including Canada Pension Plan, Employment Insurance, pensions, health care, dental coverage, group life insurance, and accidental death and dismemberment insurance and any cash disbursements with respect to vehicle allowances.

(3) There are eleven board members. Several members of the Board are serving members of the individual Community Education Committees and/or the Council of Community Education Committees. During the period, these members received additional honoraria totaling $4,545, which is not included in above figure, in their capacity as members of these committees (2001 $2,807).

(4) Staff have been provided with an automobile by the College for which no amount is included in the benefits and allowances.

(5) The position of Vice-President - College Services is a reclassification for the previous position of Senior Director - Educational Support Services

(6) The position of Senior Director, Governance Support Services was abolished in March 2001.

Note 18 Changes in Non-cash Working Capital

	June 30, 2002	June 30, 2001 (As Restated Note 3)
Accounts receivable	$ (182,206)	$ 41,525
Inventories	10,703	(20,924)
Prepaid expenses	20,378	(38,514)
Accounts payable and accrued liabilities	61,318	312,559
Accrued vacation pay	118,765	159,436
Unearned revenue	51,166	(37,272)
Deferred contributions	585,859	(556,296)
Security deposits held	12,997	79
	$ 678,980	$ (139,407)

Note 19 Commitments

Future minimum annual lease payments under operating leases are:

2003	$ 325,844
2004	$ 299,881
2005	$ 281,602
2006	$ 249,626
2007 and thereafter	$ 126,144

Note 20 Contingent Liability

Management employees are permitted to remain as participants of the Management Employees Pension Plan until December 31, 2002. The possibility exists that the transfer of management employees from the Management Employee Pension Plan to the Local Authorities Pension Plan after December 31, 2002 may result in reduced pension benefits for some management employees that the College may be required to supplement. The College has committed to the guiding principle that employees not be disadvantaged by the change in their employment. Since the outcome of the negotiations relating to the transfers cannot be predicted at this time, an estimate of the amount of the contingent liability cannot be made. Accordingly, a liability has not been recorded in these financial statements.

Note 21 Related Parties

(i) The College is a Provincial Corporation as all members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of the Department of Learning. Grants and other provincial government contributions are described in Note 13.

(ii) On December 18, 1998, the Lieutenant Governor in Council approved the incorporation of a corporation, to be owned equally by Northern Lakes College, Portage College, NorQuest College and Bow Valley College. On February 10, 1999, 818196 Alberta Ltd. was incorporated pursuant to the Alberta Business Corporations Act.

The Corporation was created for the purpose of holding the jointly developed intellectual property to be transferred from Her Majesty the Queen in Right of the Province of Alberta as represented by the Minister of Learning. As at June 30, 2002 this Corporation was not active and held no assets.

(iii) The College participates in offering certain courses with other Alberta post secondary education institutions. The revenues and expenses incurred for these courses have been included in the consolidated statement of operations at fair value.

Note 22 Operating Segment Information

The following information presents the results of operations of the College by operating segment. The College has three main operating segments which are managed independently and offer differing educational services. The College itself offers numerous credit and non-credit courses, the CCEC offers short-term non-credit courses based on community defined adult learning needs, and the Sunrise Foundation offers university transfer courses. Inter-segment transactions are recorded at fair value.

The Sunrise Foundation capitalizes minor furniture and equipment, which is amortized over a 20 year life. In all other respects, accounting policies of the segments are described in the summary of significant accounting policies in Note 2.

A) Statement of Financial Position

	June 30, 2002			
	College	CCEC	Sunrise Foundation	Total
Assets				
Total assets	$ 38,705,121	$ 587,114	$ 602,087	$ 39,894,322
Adjustment (1)				(8,135)
Total assets per consolidated statements				$ 39,886,187
Liabilities and Net Assets				
Total liabilities	$ 32,450,242	$ 79,419	$ 8,148	$ 32,537,809
Total net assets	6,254,879	507,695	593,939	7,356,513
	$ 38,705,121	$ 587,114	$ 602,087	39,894,322
Adjustment (1)				(8,135)
Total liabilities and net assets per consolidated statements				$ 39,886,187

B) Statement of Operations

	College	CCEC	Sunrise Foundation	Total
Total revenue	$ 23,163,699	$ 169,192	$ 454,976	$ 23,787,867
Total expense	22,525,940	153,982	410,436	23,090,358
Excess of revenue over expense	$ 637,759	$ 15,210	$ 44,540	697,509
Adjustment (1)				17,975
Total excess of revenue over expense per consolidated statements				$ 715,484

Adjustment (1)

Represents elimination of inter-segment transactions and adjustments to conform accounting policies.

Note 23 Budget

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Alberta Learning for his approval. The College Budget for the year ended June 30, 2002 was was approved by the Board of Governors on May 10, 2001. The budget for CCEC and Sunrise were approved on October 25, 2001 and September 20, 2001, respectively.

	2002			
	College Approved Budget	CCEC Approved Budget	Sunrise Approved Budget	Total Budget
Revenue:				
Grants	$ 16,321,754	$ 127,690	$ -	$ 16,449,444
Tuition and related fees	2,931,416	275,000	380,000	3,586,416
Sales, rentals and services	1,006,425	-	-	1,006,425
Logging equipment program	570,000	-	-	570,000
Contract programs	326,164	12,000	-	338,164
Investment income	140,476	24,000	13,250	177,726
Gain on disposal of capital assets	50,000	-	-	50,000
Donations and contributions	11,000	800	-	11,800
Miscellaneous	7,200	29,000	-	36,200
Amortization of deferred capital contributions	1,315,050	-	-	1,315,050
	22,679,485	468,490	393,250	23,541,225
Expense:				
Salaries, wages and benefits	13,138,483	-	386,330	13,524,813
Supplies and services	5,298,362	453,800	-	5,752,162
Amortization	2,016,500	-	-	2,016,500
Utilities and property tax	794,400	-	-	794,400
Facilities rental	313,350	-	-	313,350
Cost of goods sold	300,000	500	-	300,500
Travel	455,990	13,500	10,100	479,590
Repairs and maintenance	311,400	-	-	311,400
Scholarships and bursaries	51,000	-	1,500	52,500
	22,679,485	467,800	397,930	23,545,215
Excess (deficiency) of revenue over expense	$ -	$ 690	$ (4,680)	$ (3,990)

Note 24 Pension Costs

The College participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The expense for these pension plans is equivalent to the annual contributions of $567,450 for the year ended June 30, 2002 (2001 - $537,182).

At December 31, 2001, the Management Employees Pension Plan reported a surplus of $5,338,000 (2000 - $170,858,000) and the Public Service Pension Plan reported a surplus of $320,487,000 (2000 - $635,084,000).

Note 25 Comparative Figures

Certain comparative amounts have been reclassified where necessary to conform to the current year's financial statement presentation.

Note 26 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

OLDS COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002

Auditor's Report

Consolidated Balance Sheet

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Olds College

I have audited the consolidated balance sheet of the Olds College as at June 30, 2002 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2002 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
September 27, 2002

OLDS COLLEGE

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2002

	2002	2001
ASSETS		
Current:		
Cash and short-term investments (Note 3)	$ 4,976,087	$ 4,106,040
Accounts receivable	1,788,413	1,834,077
Inventories (Note 4)	463,160	394,755
	7,227,660	6,334,872
Long-term contributions receivable	350,000	-
Long-term investments (Note 3)	4,873,050	5,246,634
Capital assets (Note 5)	30,450,948	30,337,878
	$ 42,901,658	$ 41,919,384
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable	$ 684,609	$ 1,238,980
Current portion of long term debt (Note 6)	110,617	105,968
Deferred contributions	1,067,792	67,875
Deferred revenue (Note 7)	1,518,499	1,287,854
Accrued vacation pay	1,313,350	1,301,987
Deferred donations and endowment interest (Note 8)	1,138,099	1,158,442
	5,832,966	5,161,106
Deferred capital contributions (Note 10)	331,609	862,122
Long term debt (Note 6)	3,331,549	3,416,920
Unamortized deferred capital contributions (Note 11)	19,387,853	18,745,753
	28,883,977	28,185,901
Net assets:		
Unrestricted	719,223	404,339
Internally restricted (Note 12)	1,385,084	1,200,420
Invested in capital assets	7,620,929	8,069,237
Endowments (Note 13)	4,292,445	4,059,487
	14,017,681	13,733,483
	$ 42,901,658	$ 41,919,384

OLDS COLLEGE

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2002

	2002		2001
	Budget (Note 21)	Actual	Actual
Revenue:			
Grants, Province of Alberta (Note 19)	$ 15,103,541	$ 16,546,990	$ 15,281,173
Other grants and training contracts	3,274,309	1,623,627	1,672,505
Tuition and related fees	3,591,201	4,264,946	4,147,696
Sales, rentals and other services (Note 14)	4,110,505	4,888,369	4,706,038
Investment income (Note 18)	325,000	380,340	566,702
Donations	650,000	887,837	709,841
Amortization of deferred contributions related to capital assets (Note 11)	1,700,000	1,877,766	1,716,676
	28,754,556	30,469,875	28,800,631
Expense:			
Salaries and benefits	15,912,137	16,882,752	15,669,838
Supplies and services	7,661,126	7,664,748	7,337,000
Scholarships and bursaries	-	180,600	168,497
Cost of goods sold	1,680,000	1,846,569	1,816,238
Utilities	724,588	987,399	1,222,027
Amortization of capital assets	2,685,000	2,832,584	2,604,567
Loss on disposal of capital assets	-	23,983	64,987
	28,662,851	30,418,635	28,883,154
Excess (deficiency) of revenue over expense	$ 91,705	$ 51,240	$ (82,523)

OLDS COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2002

	2002						2001
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 12)	Investment in Capital Assets	Total Operating Net Assets	Endowments	Total Net Assets	Total Net Assets
Excess (deficiency) of revenue over expense	$ 51,240	$ -	$ -	$ 51,240	$ -	$ 51,240	$ (82,523)
Endowments received				-	216,453	216,453	94,323
Recapitalized Endowment Earnings				-	16,505	16,505	31,692
Board restrictions	(184,664)	184,664		-		-	-
Internally funded:							
Capital asset acquisitions	(449,771)		449,771	-		-	-
Repayment of long-term debt	(80,722)		80,722	-		-	-
Amortization of			-				
capital assets	972,325		(972,325)	-		-	-
Disposal of capital assets	6,476		(6,476)	-		-	-
Increase(decrease) in net assets	314,884	184,664	(448,308)	51,240	232,958	284,198	43,492
Balance beginning of year	404,339	1,200,420	8,069,237	9,673,996	4,059,487	13,733,483	13,689,991
Balance, end of year	$ 719,223	$ 1,385,084	$ 7,620,929	$ 9,725,236	$ 4,292,445	$ 14,017,681	$ 13,733,483

OLDS COLLEGE

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2002

	2002	2001
Operating activities:		
Excess (deficiency) of revenue over expense	$ 51,240	$ (82,523)
Amortization of deferred contributions related to capital assets	(1,877,766)	(1,716,676)
Amortization of capital assets	2,832,584	2,604,567
Loss on disposal of capital assets	23,983	64,987
	1,030,041	870,355
Net changes in non-cash operating working capital (Note 15)	644,470	211,864
Cash flow from operations	1,674,511	1,082,219
Investing activities:		
Proceeds (acquisitions) of long-term investments, net	373,584	404,725
Acquisition of capital assets	(2,969,637)	(2,938,809)
Proceeds from disposal of capital assets	-	36,079
Cash applied to investing activities	(2,596,053)	(2,498,005)
Financing activities:		
Repayment of long term debt	(80,722)	(73,258)
Contributions receivable	(350,000)	-
Capital contributions received	1,717,059	1,898,976
Donated Equipment	272,294	210,815
Endowments contributions received	232,958	126,015
Cash generated from financing activities	1,791,589	2,162,548
Increase in cash and short-term investments	870,047	746,762
Cash and short-term investments, beginning of year	4,106,040	3,359,278
Cash and short-term investments, end of year	$ 4,976,087	$ 4,106,040

OLDS COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002

Note 1 Authority

Olds College operates under the authority of the Colleges Act, Revised Statutes of Alberta 2000, Chapter C-19.

The College is a public institution preparing individuals for business management, production and technical careers in agriculture, horticulture and land management. In addition to granting diplomas and certificates, the College offers other programs in a variety of formats for the learning needs of the greater community.

The College is a registered charity and is exempt from payment of income tax.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these statements requires the use of estimates, which may vary from actual results.

(b) Consolidated Statements

These consolidated financial statements include the accounts of the Olds College Foundation, which operates under Part 9 of the Alberta Companies Act and the Olds College Centre for Innovation Inc., a wholly owned subsidiary incorporated under the Business Corporations Act of Alberta.

The Olds College Foundation is a charitable organization whose purpose is to obtain donations on behalf of the College. The Foundation transfers donated funds to the College, but retains administrative control over the use of the funds.

Olds College Centre for Innovation Inc. was incorporated on April 4, 2001 and commenced operations on July 1, 2001. The Centre was established for the purpose of furthering the amount of participation in applied research undertaken by Olds College students and faculty.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(c) Revenue Recognition

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are reflected as deferred revenue.

Amounts received for tuition fees and sale of goods and services are deferred and recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts may only be used for purposes designated by the external party.

Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended, including endowments, are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property such as land.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. These amounts are recognized as revenue in the periods in which the related amortization expense of the funded capital assets are recorded. The related portion of amortization expense and capital contributions revenue are matched to indicate that the related amortization expense has been funded externally.

Unrestricted contributions are recognized as revenue when they are received.

Contributions of materials and services that would otherwise have been purchased are recorded at fair value, if reasonably determined.

(d) Inventories

Inventory of bookstore merchandise is maintained using the first-in first-out method, and is valued at the lower of cost and net realizable value. Livestock is valued at net realizable value.

(e) Investments

Long-term investments are recorded at cost or amortized cost where applicable. Gains or losses on investments are recognized at realization, or when there is an other than temporary impairment in value of an investment.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(f) Capital Assets

The Province of Alberta, Department of Infrastructure transferred land, certain buildings and renovations to the College. The land is recorded at April 1978 fair value and the buildings and renovations and certain library materials are recorded at April 1978 depreciated replacement cost as determined by an independent appraisal. Acquisitions of capital assets since April 1, 1978 are recorded at cost, except for donated capital assets which are recorded at cost as approximated by fair value.

The Province of Alberta has been granted an option to purchase the whole or any part of the transferred land, buildings, and renovations for $1 per purchase.

Capital assets are amortized on a straight-line basis over the following estimated useful lives:

Site improvements	40 years
Buildings	15-40 years
Furnishings, equipment and computer hardware	2-15 years
Library and audio visual materials	10 years

Buildings under construction includes the direct construction and overhead costs directly attributable to the construction.

(g) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

(h) Financial Instruments

The fair value of the College's accounts receivable, accounts payable, deferred revenue and accrued vacation pay approximate their fair values due to the relatively short periods to maturity for these instruments.

Note 3 Cash and Investments

The amount held as long-term investments represents funds not available for current operations and includes endowments, deferred contributions externally restricted for capital purposes, and net assets internally restricted for capital purposes.

	2002	2001
Endowments	$ 4,292,445	$ 4,059,487
Deferred capital contributions (Note 10)	331,609	862,122
Internally restricted net assets, capital (Note 12)	248,996	325,025
Held as long-term investments	4,873,050	5,246,634
Cash and short-term investments	4,976,087	4,106,040
Total cash and investments	$ 9,849,137	$ 9,352,674

Cash and investments are summarized as follows:

	2002		2001	
	Cost	Market Value	Cost	Market Value
Cash and short-term investments	$ (120,059)	$ (120,059)	$ 167,391	$ 167,391
Fixed income - bonds and deposit notes	4,343,765	4,340,384	4,490,975	4,476,640
Equities - stocks	5,625,431	4,978,734	4,694,308	4,180,799
	$ 9,849,137	$ 9,199,059	$ 9,352,674	$ 8,824,830

Within the investment portfolio, there are securities at costs that are in excess of market value. These securities have not been written down to market value, because management has concluded, based on review of market information for the securities, that impairment is temporary.

Note 3 Cash and Investments (continued)

Maturity dates are summarized as follows:

	Term to Maturity			2002	2001
	Within 1 Year	1 to 5 Years	6 to 10 Years	Total	Total
Bonds and Debentures:					
Other provincial	$ 194,327	$ 442,843	$ 303,750	$ 940,920	$ 1,438,515
Other government and corporate bonds	1,496,080	-	1,560,100	3,056,180	2,852,460
US Corporate Bonds	-	146,665	-	146,665	-
	$ 1,690,407	$ 589,508	$ 1,863,850	$ 4,143,765	$ 4,290,975
Yield				6.02%	5.51%
Fair Value				4,140,384	4,276,640
Securities:					
Term deposits	200,000			200,000	200,000
	$ 200,000	$ -	$ -	$ 200,000	$ 200,000
Yield				6.25%	6.25%
Fair Value	200,000			200,000	200,000
	1,890,407	589,508	1,863,850	4,343,765	4,490,975
Accrued Interest	37,117	12,056	43,269	92,442	88,332
	$ 1,927,524	$ 601,564	$ 1,907,119	$ 4,436,207	$ 4,579,307

Realized return includes interest and dividend income and gains and losses on disposal of investments.

The Board of Governors, through its Human Resources, Finance and Facilities Committee, monitors the performance of the investment portfolio. The prime objective and guiding principles of the College's investment policy is to enhance the value of the funds, and at the same time provide a dependable, increasing source of income to support the operating budget, while preventing undue exposure to risk. The four criteria that guide the College's investment policy are safety, growth, liquidity and congruence with our mission. The investments are managed on a day to day basis by College staff and an external investment manager.

The investment fund policy allows for all of the funds to be invested in fixed income, short-term investments and equity investments.

Note 4 Inventories

	2002	2001
Livestock, feed and supplies	$ 346,155	$ 229,232
Bookstore merchandise and other	117,005	165,523
	$ 463,160	$ 394,755

Note 5 Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,210,776	$ -	$ 1,210,776	$ 1,210,776
Site improvements	2,767,238	569,328	2,197,910	1,876,739
Buildings	51,035,664	28,323,106	22,712,558	22,924,378
Buildings under construction	-	-	-	1,008,706
Furnishings and equipment	14,235,325	9,905,621	4,329,704	3,317,279
	$ 69,249,003	$ 38,798,055	$ 30,450,948	$ 30,337,878

Capital assets have been funded as follows:

	2002	2001
Deferred contributions related to capital assets	$ 19,387,853	$ 18,745,753
Long term debt	3,442,166	3,522,888
Investment in capital assets	7,620,929	8,069,237
	$ 30,450,948	$ 30,337,878

Note 6 Long Term Debt

The College acquired long term debt to finance the construction of student residence town houses. Construction of these town houses was done in two phases with work being completed during September 1998 for phase one and September 1999 for phase two.

Phase one was partially funded through a mortgage amortized over 25 years. The mortgage has a fixed interest rate of 5.64% to April 30, 2003, at which time it is subject to re-negotiation. Phase two was funded through a debenture that is due April 1, 2024 and has a fixed interest rate of 5.75%.

Note 6 Long Term Debt (continued)

Long term debt includes a note payable of $25,000 which will be renegotiated October 16, 2002.

June 30, 2002 long term debt:

	Outstanding Principal		Mortgage Payment Requirements				
	Long term	Current	2003	2004	2005	2006	2007
Phase One	$ 1,496,107	$ 40,966	$115,856	$ -	$ -	$ -	$ -
Phase Two	1,835,442	44,651	152,756	152,756	152,756	152,756	152,756
Other	-	25,000	25,000	-	-	-	-
	$ 3,331,549	$ 110,617	$ 293,612	$ 152,756	$ 152,756	$ 152,756	$ 152,756

Interest of $197,385 (2001 - $202,817) has been charged to expense during the year.

Note 7 Deferred Revenue

	2002	2001
Program Delivery/Extension services	$ 397,468	$ 275,831
Tuition fees	219,248	129,747
Prepaid lease revenue	119,838	128,393
Research	728,227	740,000
Other	53,718	13,883
	$ 1,518,499	$ 1,287,854

Note 8 Deferred Donations and Endowment Interest

Deferred donations and endowment interest represent the unexpended portion of amounts received for specific purposes.

	2002	2001
Contributions received during the year:		
Donations	$ 408,932	$ 595,812
Restricted investment income	116,452	178,085
	525,384	773,897
Transferred to:		
Donations revenue	(393,080)	(458,601)
Investment income revenue	(152,647)	(200,191)
	(545,727)	(658,792)
Increase (decrease) during the year	(20,343)	115,105
Balance, beginning of year	1,158,442	1,043,337
Balance, end of year	$ 1,138,099	$ 1,158,442
The balance is restricted for:		
Endowment scholarships	$ 271,615	$ 333,118
Staff development	52,887	52,887
Programs and projects	813,597	772,437
	$ 1,138,099	$ 1,158,442

Note 9 Pension Expense

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $617,122 for the year ended June 30, 2002 (2001 - $579,438).

At December 31, 2001, the Local Authorities Pension Plan reported a surplus of $634,960,000 (2000 - $883,823,000).

Note 10 Deferred Capital Contributions

	2002	2001
Received during the year:		
Infrastructure renewal grant	$ 283,330	$ -
Heavy duty apprentice equipment grant	-	206,000
James Murray building addition grant	503,376	905,000
Furniture, equipment and computers grants	390,776	356,506
Canadian Foundation for innovation grant	352,581	62,040
Windrow turner grants	-	253,460
Site improvements grant	-	90,219
Animal Health Technician grant	213,334	-
Other buildings	-	33,431
Donated Equipment	272,294	210,815
	2,015,691	2,117,471
Transfers to unamortized deferred capital contributions:		
Infrastructure renewal	283,330	207,733
Heavy duty apprentice equipment	198,284	14,415
James Murray building addition	503,237	1,221,104
Furniture, equipment and computers	521,805	283,789
Canadian Foundation for Innovation	322,682	-
Windrow turner	212,000	-
Site improvements	-	90,219
Animal Health Technician grant	206,234	-
Other buildings	-	33,431
Donated Equipment	272,294	210,815
	2,519,866	2,061,506
Transfers to revenue:		
Heavy duty apprentice equipment grant	11,670	7,680
Furniture, equipment and computers grants	14,668	-
	26,338	7,680
(Decrease) increase during the year	(530,513)	48,285
Balance, beginning of year	862,122	813,837
Balance, end of year	$ 331,609	$ 862,122

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions related to capital assets represent external funding of capital assets which will be recognized as revenue in the future.

	2002	2001
Balance, beginning of year	$ 18,745,753	$ 18,400,923
Amount transferred from deferred contributions (Note 10)	2,519,866	2,061,506
Amount transferred to revenue	(1,877,766)	(1,716,676)
Balance, end of year	$ 19,387,853	$ 18,745,753

Note 12 Internally Restricted Net Assets

Net assets internally restricted by the Board represent an amount set aside by the College's Board of Governors to be used for designated purposes. These amounts are not available for other purposes without the approval of the Board. The Board of Governors has placed internal restrictions on operating net assets as follows:

	2002	2001
Capital:		
Farm capital renewal	$ 248,996	$ 325,025
Non-capital:		
Departmental projects	31,057	31,057
Residence Mortgage Fund	853,648	636,155
Scholarships	14,000	6,500
Foundation Projects	237,383	201,683
	1,136,088	875,395
	$ 1,385,084	$ 1,200,420

Note 13 Endowments

Endowments consist of restricted donations to the College, the principal of which is required to be maintained intact in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors. Benefactors as well as College policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Note 14 Sales, Rentals and Other Services

Sales, rentals and other services revenue are summarized as follows:

	2002	2001
Conference and food services	$ 1,574,619	$ 1,413,344
Residence	1,146,019	1,055,525
Farm Operations	744,944	729,226
Bookstore	680,937	632,538
Academic Program Ancillary	384,891	410,510
Rentals & Other	356,959	464,895
	$ 4,888,369	$ 4,706,038

Note 15 Net Changes in Non-cash Working Capital

	2002	2001
Decrease (increase) in accounts receivable	$ 45,664	$ (450,990)
(Increase) in inventories	(68,405)	(9,604)
(Decrease) increase in accounts payable	(554,371)	2,205
Increase in deferred contributions	999,917	57,916
Increase in deferred revenue	230,645	445,229
Increase in accrued vacation pay	11,363	52,003
(Decrease) increase in deferred donations and endowment interest	(20,343)	115,105
	$ 644,470	$ 211,864

Note 16 Salaries and Benefits

The Province of Alberta's Treasury Board Salary and Benefits Disclosure Directive dated December 16, 1998 requires the College to disclose certain salaries and benefits. These salaries and benefits are as follows:

	2002			2001
	Salary(a)	Benefits and Allowances(b)	Total	Total
Chairman of the Board	$ 14,960	$ -	$ 14,960	$ 6,892
Board members	26,111	860	26,971	22,625
President(c)	121,574	15,879	137,453	136,829
Vice-President, Academic	111,506	11,967	123,473	114,113
Vice-President, Student and Support Services (d)	101,756	8,033	109,789	102,392
Executive Director, Olds College Foundation	87,131	11,354	98,485	94,481
Chief Operating Officer, Olds College Centre for Innovation	98,521	12,540	111,061	111,214
Dean, Animal Science	102,047	12,798	114,845	119,279
Dean, Trades and Technologies	84,315	11,136	95,451	90,019
Dean, Land Sciences	89,541	11,892	101,433	95,952
Dean, Extension Services (e)	-	-	-	52,657
Dean, Business Development (f)	34,324	3,920	38,244	-
	$871,786	$ 100,379	$972,165	$946,453

(a) Salary includes regular base pay, overtime, performance bonuses and honoraria.

(b) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental and vision coverage, group life insurance, employment insurance, remission of tuition fees and vacation payouts.

(c) Rental housing provided no amount included in benefits and allowances.

(d) The position of Vice-President, Student and Support Services had two incumbents during the 2001/2002 fiscal year.

(e) The position of Dean, Extension Services was vacant from December 20, 2000. This position has been deleted from the College's organizational structure.

(f) The position of Dean, Business Development was a new position staffed as of February 19, 2002.

Note 17 Funds Held on Behalf of Others

Olds College holds funds in trust for several organizations as follows:

	2002	2001
Big Country Educational Consortium	$ 592,012	$ 547,686
Student Association	426,464	408,156
Other	95,851	41,654
	$ 1,114,327	$ 997,496

Note 18 Investment Income

	2002	2001
Restricted investment income on resources held for endowment	$ 132,957	$ 209,777
Non restricted investment income	227,693	366,511
Total investment income	360,650	576,288
Transfer from deferred contributions	36,195	22,106
Amounts credited directly to endowment principal	(16,505)	(31,692)
	$ 380,340	$ 566,702

Note 19 Related Party Transactions

The College is a Provincial Corporation as all members of the Board of Governors are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the College and the Province are disclosed in the Consolidated Statement of Revenue and Expense and Consolidated Balance Sheet and are as follows:

	2002		
	Revenue	Deferred Revenue	Deferred Contributions and UDCC
Operating & Performance grant	$ 12,523,212	$ -	$ -
Access Funding	865,031	-	-
Extension Services grants	218,023	-	-
Infrastructure renewal	760,142	819,000	589,858
Centre for Innovation	827,044	-	-
Miscellaneous grants	1,353,538	233,865	(26,339)
	$ 16,546,990	$ 1,052,865	$ 563,519

	2001		
	Revenue	Deferred Revenue	Deferred Contributions and UDCC
Operating & Performance grant	$ 12,188,544	$ -	$ -
Access Funding	1,009,755	-	99,212
Extension Services grants	349,536	-	7,112
Infrastructure renewal	547,554	-	822,717
NEOS Library grant	1,683	-	8,276
Learning Enhancement envelope	79,626	-	-
Centre for Innovation	612,951	788,902	177,667
Miscellaneous grants	491,524	30,000	198,320
	$ 15,281,173	$ 818,902	$ 1,313,304

During the year, Olds College had business transactions with Big Country Educational Consortium, Southern Alberta Institute of Technology, Northern Alberta Institute of Technology, Red Deer College, Lakeland College, University of Calgary, University of Alberta and the University of Lethbridge. These transactions were at market prices on normal terms of purchase and sale and have been included in the Statement of Revenue and Expense.

Note 20 Comparative Figures

Certain 2001 figures have been reclassified to conform to 2002 presentation.

Note 21 Budget

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Alberta Learning. The College budget for the year ended June 30, 2002 was approved by the Board of Governors on April 26, 2001. The budget for Olds College Centre for Innovation Inc. (OCCI) was approved by the Board of Directors of OCCI on July 30, 2001.

Note 22 Commitments

In order to manage its exposure to the volatility in the electrical industry, the Board of Governors entered into a five year contract to fix its electricity cost at an average of 8.7 cents per kilowatt hour. This contract will terminate on December 31, 2005. Based on 2002 consumption, the annual costs for the year ending June 30, 2003 are expected to be $730,000.

Note 23 Approval of Financial Statements

The Board of Governors approved these financial statements.

PORTAGE COLLEGE
FINANCIAL STATEMENTS
JUNE 30, 2002

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 - Continuing Education Programming

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Portage College

I have audited the statement of financial position of Portage College (the "College") as at June 30, 2002 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
September 27, 2002

PORTAGE COLLEGE

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2002

	2002	2001
ASSETS		
Current:		
Cash and cash equivalents (Note 3)	$ 2,634,807	$ 2,863,078
Accounts receivable (Note 4)	738,321	553,415
Inventories (Note 5)	189,393	163,164
Prepaid expenses	165,652	94,441
	3,728,173	3,674,098
Non-current cash and cash equivalents (Note 3)	288,159	835,000
Capital assets (Note 6)	33,750,636	33,420,254
	$37,766,968	$ 37,929,352
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 623,447	$ 740,754
Accrued vacation pay	1,152,679	1,148,578
Unearned revenue (Note 7)	98,255	95,515
Deferred contributions (Note 8)	955,357	249,310
	2,829,738	2,234,157
Deferred capital contributions (Note 9)	-	85,000
Unamortized deferred capital contributions (Note 10)	30,206,573	31,096,264
	33,036,311	33,415,421
Net assets:		
Operating		
Unrestricted net assets	89,517	114,942
Internally restricted net assets (Note 11)	868,402	2,025,000
Invested in capital assets	3,544,063	2,323,989
	4,501,982	4,463,931
Endowments (Note 3)	228,675	50,000
	4,730,657	4,513,931
	$37,766,968	$ 37,929,352

The accompanying notes and schedule are part of these financial statements.

PORTAGE COLLEGE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2002

	2002		2001
	Budget (Note 23)	Actual	Actual
Revenue:			
Grants and provincial government contributions (Note 12)	$ 12,495,024	$ 13,105,429	$ 12,355,450
Tuition and related fees	2,781,222	2,437,167	1,849,202
Contract income	1,234,295	1,053,317	772,491
Sales, rentals and services (Note 13)	1,465,824	1,512,172	1,266,048
Donations and contributions	40,000	33,659	37,092
Investment income (Note 14)	409,000	129,998	244,616
Amortization of deferred capital contributions (Note 10)	950,000	1,036,230	1,059,967
Miscellaneous	195,650	183,862	280,645
	19,571,015	19,491,834	17,865,511
Expense (Note 15)			
Salaries, wages and benefits (Note 16)	12,022,473	12,092,751	10,875,785
Supplies and services	4,641,262	5,007,957	4,263,000
Utilities	1,120,305	764,308	675,926
Scholarships and bursaries	71,125	62,748	52,020
Amortization	1,354,000	1,516,019	1,373,543
	19,209,165	19,443,783	17,240,274
Excess of revenue over expense	$ 361,850	$ 48,051	$ 625,237

The accompanying notes and schedule are part of these financial statements.

PORTAGE COLLEGE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2002

	2002					2001
	Unrestricted Net Assets	Internally Restricted Net Assets (Note 11)	Invested in Capital Assets	Endowments (Note 3)	Total	Total
Excess of revenue over expense	$ 48,051	$ -	$ -	$ -	$ 48,051	$ 625,237
Contribution of artwork	-	-	-	-	-	346,300
Endowment contributions received	-	-	-	168,675	168,675	-
Internal matching of endowment contributions	(10,000)	-	-	10,000	-	-
Transfers for:						
Amortization of internally funded capital assets	480,331	-	(480,331)	-	-	-
Acquisition of internally funded capital assets	(674,599)	-	674,599	-	-	-
Transfers from internally restricted non-capital funds	130,792	(130,792)	-	-	-	-
Capital assets acquired from internally restricted capital funds	-	(1,025,806)	1,025,806	-	-	-
(Decrease) increase in net assets	(25,425)	(1,156,598)	1,220,074	178,675	216,726	971,537
Net assets, beginning of period	114,942	2,025,000	2,323,989	50,000	4,513,931	3,542,394
Net assets, end of period	$ 89,517	$ 868,402	$ 3,544,063	$ 228,675	$ 4,730,657	$ 4,513,931

The accompanying notes and schedule are part of these financial statements.

PORTAGE COLLEGE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2002

	2002	2001
Cash generated from (used by):		
Operating activities:		
Excess of revenue over expense	$ 48,051	$ 625,237
Non-cash transactions		
Amortization of deferred capital contributions (Note 10)	(1,036,230)	(1,059,967)
Amortization of capital assets - internally funded	480,331	321,650
Amortization of capital assets - externally funded	1,035,688	1,051,893
Loss (gain) on sale of capital assets - externally funded	543	(2,895)
	528,383	935,918
Changes in working capital (Note 18)	313,235	(589,370)
Cash generated from operating activities	841,618	346,548
Investing activities:		
Net decrease (increase) in non-current cash	546,841	(742,388)
Acquisition of capital assets - internally funded	(1,700,405)	(845,348)
Acquisition of capital assets - externally funded	(146,539)	(1,030,078)
Proceeds on sale of capital assets	-	10,968
Contributed artwork	-	(346,300)
Cash applied to investing activities	(1,300,103)	(2,953,146)
Financing activities:		
Capital contributions received (Note 9)	61,539	1,072,466
Endowment contributions - external	168,675	-
Contribution of artwork	-	346,300
Cash generated from financing activities	230,214	1,418,766
(Decrease) increase in cash and cash equivalents	(228,271)	(1,187,832)
Cash and cash equivalents at beginning of year	2,863,078	4,050,910
Cash and cash equivalents at end of year	$ 2,634,807	$ 2,863,078

The accompanying notes and schedule are part of these financial statements.

PORTAGE COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2002

Note 1 Authority and Purpose

Portage College (the "College") was established as a public vocational college on May 14, 1997 by the Lieutenant Governor in Council under the authority of the Colleges Act, Chapter C-19, Revised Statutes of Alberta 2000 as amended.

Primarily serving communities in north-eastern Alberta, the College provides instruction and training to assist adult learners through academic upgrading programs and career entry training in business, human services, trades, technical and service industries.
The College maintains a special interest in providing programs to aboriginal communities.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

(i) Unrestricted Contributions

Unrestricted operating grants and contributions are recognized as revenue in the period when receivable.

(ii) Restricted Contributions

Externally restricted non-capital grants and contributions are deferred and recognized as revenue in the period when related expenses are incurred.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Restricted contributions for the purchase of capital assets, which will not be amortized, are recorded as direct increases in net assets.

Externally restricted contributions for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(a) (iii) Investment Income

Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as a direct increase to net assets, or is deferred and recognized as revenue in the period the related expenses are incurred.

Unrestricted investment income is recognized in the year it is earned.

(iv) Donations

Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

(v) Program Delivery

Revenue from tuition fees, education contract programs and sale of goods and services is recognized as revenue in the period in which the goods are delivered or the services are provided.

Revenue from long-term education contracts is determined on the percentage of completion method. Provision is made for all anticipated losses as soon as they become evident.

(b) Inventories

Inventories for resale are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Inventories held for consumption are valued at the lower of cost and replacement value.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(c) Capital Assets and Collections

Capital assets are recorded at cost, except donated assets which are recorded at fair value, when fair value can be reasonably determined.

Capital assets are amortized on a straight-line basis over the following estimated average useful lives:

Buildings and site improvements	20 - 40 years
Trailers	20 years
Furniture, vehicles and other equipment	5 - 10 years
Library holdings	5 - 10 years
Computer equipment	4 years
Computer software	5 years
Rental books	2 years
Leasehold improvements	Life of lease

Art collections are recorded at cost and are not amortized. Donated artwork collections are recorded at fair value, when determinable.

(d) Pension Plan Expense and Obligation

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan. These pension plans are multiemployer defined benefit pension plans, that provide pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the cost of employer contributions, for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension pian. The College's portion of the pension plans' deficit or surplus is not recorded by the College.

(e) Financial Instruments

The carrying value of cash, receivables, payables and accruals approximate their fair value due to the relatively short periods to maturity of the instruments.

Note 3 Cash and Cash Equivalents, Investments, Non-Current Cash and Cash Equivalents, and Endowments

Cash, cash equivalents and investments are summarized as follows:

	2002		2001	
	Cost	Market Value	Cost	Market Value
Consolidated Cash Investment Trust Fund	1,661,549	1,661,549	2,313,511	2,313,511
Bank Acceptances and Treasury Bills	802,343	802,343	-	-
Cash	439,705	439,705	1,384,567	1,384,567
Common stocks	19,369	19,369	-	-
	2,922,966	2,922,966	3,698,078	3,698,078
Held as non-current cash and cash equivalents	(288,159)	(288,159)	(835,000)	(835,000)
Held as cash and cash equivalents	$ 2,634,807	$ 2,634,807	$ 2,863,078	$2,863,078

The Consolidated Cash Investment Trust Fund ("CCITF") of the Province of Alberta is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on the daily cash balance at the average rate of earnings of the CCITF, which varies depending on the prevailing market interest rates.

All investments are held as temporary investments and are valued at the lower of cost or market. In cases where market value declines below cost, cost is adjusted to market value.

The College recognizes the need to effectively manage all financial resources. The College employs cash and fund management practices, in order to maximize the amounts available for investment. Donations and surplus cash will be invested in order to maximize return while minimizing loss.

Short-term investments, consisting of Government of Canada Treasury Bills and Bank Acceptances all mature within one year and bear interest at a weighted average of 2.5%. The effective yield of 2.5% represents the rate which discounts future cash receipts to the carrying value at June 30, 2002.

The Board of Governors has approved investment guidelines on asset mix, diversification, quality, liquidity and nature of securities, and term constraints.

The amount held as non-current cash and cash equivalents represents funds not available for current operations and includes endowments and net assets internally restricted for capital purposes, as outlined below.

	2002	2001
Endowments (1)	$ 228,675	$ 50,000
Board restricted capital funds (Note 11)	59,484	700,000
Externally restricted for capital purposes (Note 9)	-	85,000
	$ 288,159	$ 835,000

Note 3 Cash and Cash Equivalents, Non-Current Cash and Cash Equivalents and Endowments (continued)

(1) Endowments are comprised of the following:

	2002	2001
Board of Governors Award	$ 158,675	$ -
Nova-Student Bursary	25,000	25,000
Northlands Park Achievement Award	20,000	20,000
Alberta Pacific Bursary	20,000	-
Xerox- Outstanding Business Careers Student Award	3,000	3,000
Alberta Pacific Native Cultural Arts Award	2,000	2,000
	$ 228,675	$ 50,000

Of the net assets restricted for endowment purposes, $206,175 (2001 - $37,500) is subject to externally imposed restrictions stipulating that the resources be maintained permanently. The Board of Governors has internally restricted $22,500 (2001 - $12,500) of unrestricted net assets to be held for endowment purposes. The purpose of the endowments are to award student scholarships and bursaries.

Note 4 Accounts Receivable

	2002	2001
Accounts receivable	$ 1,062,041	$ 844,639
Allowance for doubtful accounts	(323,720)	(291,224)
	$ 738,321	$ 553,415

Note 5 Inventories

	2002	2001
Bookstore and native cultural art supplies	$ 148,622	$ 125,630
Cafeteria supplies	32,614	27,906
Printing supplies	3,671	3,150
Other	4,486	6,478
	$ 189,393	$ 163,164

Note 6 Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings and site improvements	$31,189,363	$ 1,761,320	$29,428,043	$29,972,635
Land	500,000	-	500,000	500,000
Rental books	142,435	133,716	8,719	44,288
Computer equipment	2,043,497	1,393,127	650,370	592,731
Furniture	36,670	18,554	18,116	21,600
Vehicles	406,407	152,626	253,781	193,903
Other equipment	723,830	232,482	491,348	420,995
Library holdings	580,709	286,975	293,734	317,484
Trailers	792,649	100,491	692,158	325,905
Computer software	873,850	317,419	556,431	149,923
Software development in progress	83,745	-	83,745	502,407
Artwork	346,300	-	346,300	346,300
Leasehold improvements	475,434	47,543	427,891	32,083
	$38,194,889	$ 4,444,253	$33,750,636	$33,420,254

Software development includes license fees, direct costs and salary costs for those employees dedicated to the Agresso financial system development project.

Note 7 Unearned Revenue

	2002	2001
Tuition fees	$ 90,491	$ 44,610
Other	7,764	50,905
	$ 98,255	$ 95,515

Note 8 Deferred Contributions

The deferred contributions balance represents amounts accounted for in accordance with the accounting policy described in Note 2 (a) (ii).

	2002	2001
Restricted contributions received during the period:		
Conditional grants (Note 12)	$ 2,077,085	$ 1,128,468
Scholarships and bursaries (Note 14)	2,597	3,190
	2,079,682	1,131,658
Transferred to revenue:		
Conditional grants (Note 12)	(1,345,037)	(1,056,418)
Scholarships and bursaries (Note 14)	(1,600)	(1,050)
	(1,346,637)	(1,057,468)
Transferred to deferred capital contributions (Note 9)	(26,998)	(969,639)
Increase (decrease) during the year	706,047	(895,449)
Balance at beginning of year	249,310	1,144,759
Balance at end of year	$ 955,357	$ 249,310

Unspent amounts at the end of period are restricted for the following purposes:

	2002	2001
Deferred maintenance	$ 915,933	$ 225,874
One time equipment and facility funding	25,000	-
Student scholarships and bursaries	9,433	8,436
Program funding	4,991	-
Website development	-	15,000
	$ 955,357	$ 249,310

Note 9 Deferred Capital Contributions

The deferred capital contributions balance represents amounts accounted for in accordance with the accounting policy described in Note 2 (a) (ii).

	2002	2001
Conditional grants received during the year	$ 34,541	$ 102,827
Transferred from deferred contributions (Note 8)	26,998	969,639
	61,539	1,072,466
Transferred to unamortized deferred capital contributions (Note 10)	(146,539)	(1,030,078)
(Decrease) increase during the year	(85,000)	42,388
Balance at beginning of year	85,000	42,612
Balance at the end of the year	$ -	$ 85,000
Balance at end of year is restricted for the following purposes:		
AGRESSO financial system development	$ -	$ 85,000

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions reflect transactions accounted for in accordance with the accounting policy described in Note 2 (a) (ii).

	2002	2001
Balance at beginning of period	$31,096,264	$31,126,153
Transferred from deferred capital contributions (Note 9)	146,539	1,030,078
Less amount amortized to revenue	(1,036,230)	(1,059,967)
Balance at end of period	$30,206,573	$31,096,264

Note 11 Internally Restricted Net Assets

Net assets internally restricted by the Board represent amounts set aside by the College's Board of Governors to be used for the following designated purposes. These amounts are not available for other purposes without approval of the Board.

	2002	2001
Capital:		
Campus Development Fund - Capital	$ 55,470	$ 300,000
Housing Development Fund - Capital	4,014	400,000
	59,484	700,000
Operating:		
Program Development	391,875	450,000
Professional Services - Transition Fund	234,479	280,000
Financially Assisted Education Leave	84,476	100,000
Emergency Facility Repair	78,088	225,000
Student Needs - Quality of life	20,000	20,000
Deferred Maintenance - Ancillary Services Fund	-	250,000
	808,918	1,325,000
	$ 868,402	$ 2,025,000

Note 12 Grants and Other Government Contributions

	2002	2001
Department of Learning:		
Base operating grant	$ 11,760,392	$ 11,299,032
Conditional funding:		
Envelope funding	1,345,037	1,036,418
Other	-	20,000
	$ 13,105,429	$ 12,355,450

Note 13 Sales, Rentals and Services

	Revenue	Direct Expense	2002 Net	2001 Net
Food Services	$ 260,289	$ 307,455	$ (47,166)	$ (70,621)
Housing	580,159	647,244	(67,085)	(68,810)
Bookstore and Native Art Sales	644,132	538,811	105,321	112,153
Community Use	27,592	27,463	129	8,166
	$ 1,512,172	$ 1,520,973	$ (8,801)	$ (19,112)

Note 14 Investment Income

	2002	2001
Investment earnings	$ 130,995	$ 246,756
Add amounts transferred from deferred contributions (Note 8)	1,600	1,050
Less amounts transferred to deferred contributions (Note 8)		
Scholarships and bursaries	(2,597)	(3,190)
Total investment income recognized as revenue	$ 129,998	$ 244,616

Note 15 Expense by Function

	2002	2001
Instruction - Credit	$ 7,458,373	$ 6,686,801
Instruction - Non-Credit	368,667	405,408
Facilities operations and maintenance	3,635,849	3,262,423
Institutional support	2,108,809	1,836,575
Academic support	1,322,355	1,280,263
Student services	1,977,806	1,718,613
Ancillary services (Note 13)	1,520,973	1,285,160
Computing, network and communications	1,010,889	749,318
Fund raising	40,062	15,713
Total Expenses	$ 19,443,783	$ 17,240,274

Instruction encompasses all formal education and instructional program elements. Facilities operations and maintenance includes all costs of the daily operations of the buildings occupied by the College, property taxes and amortization on capital equipment and buildings. Institutional support includes all activities that provide institution-wide support to other programs. Academic support includes all activities that directly support the education and instruction elements such as academic administration, library and audio-visual services. Student services includes all activities or services to the student body of institution such as counselling, recreation and registrar's office. Ancillary services include direct and indirect costs of operating food services, native art sales, community use, housing and bookstore. Computing, network and communications includes all costs expended to maintain the College's hardware and software. Fund raising includes guest speaker honoraria, event promotion and all other direct costs associated with the events.

Note 16 Salaries, Wages and Benefits

The following information is prepared in accordance with Treasury Board Directive No. 12/98:

	2002			2001
	Salary[1]	Benefits and Allowances[2]	Total	Total
Board Chair	$ 3,516	$ 125	$ 3,641	$ 7,120
Board Members (9)	13,130	530	13,660	13,156
President[3]	105,086	16,679	121,765	113,598
Vice President of Academics	91,827	14,917	106,744	104,196
Vice President of Student and College Services	82,277	15,100	97,377	105,785
Dean of Community and Industry Training	72,204	13,581	85,785	81,299
Dean of Academic Upgrading	73,308	11,909	85,217	79,588
Dean of Health, Business and Human Services	70,570	13,395	83,965	91,085

(1) Salaries includes regular base pay, bonuses, overtime, lump sum payments and honoraria.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, short term and long term disability plans, and professional memberships required for employment.

(3) The President has been provided with an automobile by the College for which an amount is included in the benefits and allowances.

Note 17 Pension Costs

The College participates in the Public Service Pension Plan and the Management Employees Pension Plan, which are multiemployer defined benefit plans. The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $513,177 for the year ended June 30, 2002 (2001 - $456,913).

At December 31, 2001, the Management Employees Pension Plan reported a surplus of $5,338,000 (2000 - $170,858,000) and the Public Service Pension Plan reported a surplus of $320,487,000 (2000 - $635,084,000).

Note 18 Changes in Working Capital

	2002	2001
Accounts receivable	$ (184,906)	$ (212,862)
Inventories	(26,229)	(29,928)
Prepaid expenses	(71,211)	7,449
Accounts payable and accrued liabilities	(117,307)	405,559
Accrued vacation pay	4,101	103,983
Unearned revenue	2,740	31,878
Deferred contributions	706,047	(895,449)
	$ 313,235	$ (589,370)

Note 19 Commitments

Future minimum annual lease payments under operating leases and other commitments are:

2003	$ 573,840
2004	480,119
2005	388,580
2006	76,316
2007 and thereafter	-

Note 20 Art Collection

The College's art collection is comprised of:

(a) Native Cultural Arts Museum Collection

The Native Cultural Arts Museum Collection consists of Aboriginal art and craft works, which have been collected from across Canada and the United States. The majority of the pieces were purchased from artists and dealers. Students, staff and guest instructors have donated numerous pieces to the Collection. Articles from the Collection are used for displays, both on and off campus, and for instructional support in the Native Cultural Arts programs. All pieces in the Collection are numbered, photographed and described in the Collection records.

(b) Other Art Works

The College has also acquired, either through purchases or donation, other art works, which are displayed throughout the College buildings. Approximately 85% of the art display depicts native heritage. The mediums include watercolor, silkscreens, black and white photography, color photography and reproduced prints. The remainder of the display depicts the surrounding areas and peoples of Lac La Biche.

Note 21 Related Parties

a) Significantly Influenced Organizations

(i) Lac La Biche Childcare Association

The College exercises significant influence over the Lac La Biche Childcare Association (the "Childcare Association") through a contractual arrangement whereby the children of students of the College are given priority placement and a maximum enrolment fee of $625 per month per child.

The Childcare Association is incorporated under the Societies Act of the Province of Alberta and exists to provide daycare services to Lac La Biche and surrounding communities.

The College, as owner of the buildings, provides the Childcare Association, at no charge, the space needed to operate a daycare, care taking services, repairs, heating, lighting, telephone, parking spaces, furniture and equipment. For the year ending June 30, 2002, the College incurred related expenses of $120,001, (2001- $118,171) on behalf of the Childcare Association, which are reflected in the College's statement of operations.

The College also provides $31,500, (2001-$31,500) annually to the Childcare Association to subsidize its operations. The College renewed its contract with the Childcare Association committing $31,500 for the year commencing July 1, 2002. There is an option to renegotiate and renew this contract at the completion of the contract.

Note 21 Related Parties (continued)

a) Significantly Influenced Organizations (continued)

(ii) Portage Aquatic Association

The Portage Aquatic Association (the "Aquatic Association") was incorporated under the Alberta Business Corporations Act. It operates the Aquatic Centre (the "Pool") with the objective to encourage, promote and provide aquatic training and recreational opportunities to prospective patrons. The College has an agreement with the Aquatic Association to make available aquatic training and recreational opportunities to College staff and students.

The College, as owner of the buildings, provides the Aquatic Association, at no charge, space, renovations, utilities, telephone (except long distance), pool chemicals and parking stalls for staff and patrons. For the year ended June 30, 2002, the College incurred related expenses of $239,613, (2001-$272,597) on behalf of the Aquatic Association.

The College also provides the Aquatic Association an annual management fee of $28,000, (2001-$35,000) and an annual janitorial fee to a maximum of $25,200. Effective July 1, 2002, the College has entered into an agreement with the Association, Lakeland County and the Town of Lac La Biche in which the College will forward an annual lump sum payment in the amount of $123,916. The term of this agreement is July 1, 2002 to June 30, 2005. Therefore, annual janitorial, management and all other maintenance costs will no longer be paid by the College. In this agreement, the Association has the ability to contract out its' maintenance. For the Association's first maintenance agreement the Association has chosen to contract back to the College.

On behalf of students and to provide recreational programming, the College purchased $14,092, (2001-$20,430) in services from the Aquatic Centre during the year ended June 30, 2002.

Note 21 Related Parties (continued)

a) Significantly Influenced Organizations (continued)

(iii) Alberta Government and Alberta Post Secondary Education Institutions

The College is a Provincial Corporation. All of the members of the Board of Governors are appointed pursuant to the Colleges Act or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. The College accounts for all significant costs related to the services for which it is responsible.

In the normal course of operations, the College engages in brokerage and other collaborative arrangements with other post-secondary educational institutions in Alberta. These institutions are also Provincial Corporations.

The College had the following transactions with related parties:

	Alberta Government		Post Secondary Collaboration	
Revenues:	2002	2001	2002	2001
Grants and other provincial government contributions	$ 13,105,429	$ 12,355,450	$ -	$ -
Contract programs	68,777	207,975	99,589	113,487
Amortization of deferred capital contributions	1,036,230	1,059,967	-	-
Other sales, services and rental income	-	-	2,400	10,981
	$ 14,210,436	$ 13,623,392	$ 101,989	$ 124,468
Expenses	$ 72,983	$ 77,931	$ 156,594	$ 116,234
Accounts receivable	$ 185,877	$ 297,678	$ 250	$ 6,980
Accounts payable	$ 387	$ 1,112	$ 8,519	$ 5,119
Deferred contributions	$ 945,924	$ 240,874	$ -	$ -
Unamortized deferred capital contributions	$ 30,206,573	$ 31,096,264	$ -	$ -

Note 21 Related Parties (continued)

a) Significantly Influenced Organizations (continued)

(iv) Joint Venture

On December 18, 1998, the Lieutenant Governor in Council approved the incorporation of a corporation, to be owned equally by Portage College, Northern Lakes College, NorQuest College and Bow Valley College. On February 10, 1999, 818196 Alberta Ltd. was incorporated pursuant to the Alberta Business Corporations Act.

The Corporation was created for the purpose of holding jointly developed intellectual property transferred from her Majesty the Queen in Right of the Province of Alberta as represented by the Minister of Learning. The fair value of the intellectual property transferred is not determinable. As at June 30, 2002, this Corporation was not active.

Note 22 Contingencies

Pension Plan

In the transition process, the College and the Department of Learning have committed to the guiding principle that employees not be disadvantaged by the change in their employment. Employees that are members of the Management Employees Pension Plan have been permitted to remain as participants until December 31, 2002 and the College is pursuing a further extension. The possibility exists that the transfer of management employees from the Management Employees Pension Plan to the Local Authorities Pension Plan after December 31, 2002, may result in reduced pension benefits for some management employees which the College or the Department of Learning would likely be obligated to address. Since the outcome of negotiations cannot be predicted at this time, an estimate of the amount of the potential contingent loss to the College cannot be made. Accordingly, a liability has not been accrued in these financial statements.

Note 23 Budget

The College is required to submit a budget, approved by the Board of Governors of the College, to the Minister of Alberta Learning for his approval. The Board of Governors approved the College's Budget on May 7, 2001.

Note 24 Funds Held on Behalf of Others

The following funds, held by the College on their behalf, are not included in these financial statements:

	2002	2001
Faculty Association	$ 97,083	$ 93,880
Employee Funded Leave	41,679	9,244
Portage Aquatic Association	11,495	11,116
Other Funds Held	16,101	11,630
Security Deposits Held	9,800	6,700
	$ 176,158	$ 132,570

Note 25 Comparative Figures

The 2001 figures have been reclassified and restated where necessary to conform to 2002 presentation.

Note 26 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

Schedule 1 Continuing Education Programming

	2002							2001
	Trades, Technical & Safety Training	Forestry Programs	Health Training	Computer & Office Training	Driver Training	Other	Total	Total
Revenue	$ 920,778	$ 307,103	$ 113,032	$ 15,947	$ 113,287	$ 230,836	$ 1,700,983	$ 1,163,310
Less:								
Direct Expenses:								
Salaries, wages and benefits	489,151	131,357	50,207	2,782	58,144	136,269	867,910	572,724
Supplies and bad debt expense	296,392	139,299	36,389	5,519	53,385	38,684	569,668	646,847
	785,543	270,656	86,596	8,301	111,529	174,953	1,437,578	1,219,571
Indirect costs (1)	163,412	57,848	14,056	3,189	3,105	40,274	281,884	193,920
(Deficiency) Excess of revenue over expense	$ (28,177)	$ (21,401)	$ 12,380	$ 4,457	$ (1,347)	$ 15,609	$ (18,479)	$ (250,181)

The College actively works with industry, native communities and other organizations to provide customized training on a cost recovery basis. The College expects Continuing Education departments to cover all direct costs plus an estimated amount to cover indirect costs to deliver these programs - see footnote below.

Any revenues and expenditures related to Continuing Education program delivery can be grouped within any or all of the categories on the statement of operations.

(1) The amount shown as indirect cost is a calculated amount based on a percentage of gross program revenue on a scale ranging from 0% to a maximum of 20%.

RED DEER COLLEGE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002

Auditor's Report

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AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of Red Deer College

I have audited the consolidated statement of financial position of Red Deer College as at June 30, 2002 and the consolidated statements of revenue and expense, changes in net assets and cash flow for the year then ended. These consolidated financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
September 9, 2002

RED DEER COLLEGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2002

	2002	2001
ASSETS		
Current:		
Cash	$ -	$ 89,390
Short term investments (Note 3)	9,273,857	2,528,449
Accounts receivable	2,642,469	3,330,509
Inventories	457,529	382,178
Prepaid expenses	222,626	190,197
	12,596,481	6,520,723
Investments (Note 3)	10,633,849	19,289,814
Art collections (Note 4)	920,635	920,635
Capital assets (Note 5)	56,299,046	46,666,627
	$ 80,450,011	$ 73,397,799
LIABILITIES AND NET ASSETS		
Current:		
Bank indebtedness	$ 477,952	$ -
Accounts payable and accrued liabilities	4,821,433	2,604,809
Accrued vacation pay	2,682,975	2,591,466
Unearned revenue	1,197,641	993,538
Deferred contributions (Note 6)	3,121,701	892,933
Current portion of long-term debt (Note 9)	157,773	147,999
Current portion of capital lease obligation (Note 8)	465,158	328,534
	12,924,633	7,559,279
Long-term portion of capital lease obligation (Note 8)	404,406	238,415
Long-term debt (Note 9)	5,090,172	5,247,944
Deferred contributions for capital purposes (Note 7)	5,250,248	14,520,186
Unamortized deferred capital (note 11)	37,219,183	26,707,403
	60,888,642	54,273,227
Net assets:		
Endowments (Note 12)	5,383,601	4,769,628
Investment in capital assets and art collections	13,882,989	14,916,967
Internally restricted (Note 13)	262,330	-
Unrestricted net assets	32,449	(562,023)
	19,561,369	19,124,572
	$ 80,450,011	$ 73,397,799

The accompanying notes are part of these financial statements.

RED DEER COLLEGE

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE

FOR THE YEAR ENDED JUNE 30, 2002

	Budget (Note 21)	2002	2001
Revenue			
Grants, Province of Alberta	$ 24,758,500	$ 25,587,203	$ 21,078,495
Educational contracts	1,050,000	1,243,039	809,995
Tuition and related fees (Note 15)	11,717,000	11,800,719	11,789,270
Ancillary services (Note 16)	5,530,000	5,739,447	5,183,285
Sales, rentals and services	1,579,500	1,434,974	1,080,649
Investment income (Note 17)	400,000	1,734,762	760,346
Donations and interest	380,000	853,156	534,547
Amortization of deferred capital contributions (Note 11)	1,800,000	1,853,984	1,512,926
	47,215,000	50,247,284	42,749,513
Expense			
Salaries and benefits	28,872,737	30,469,034	27,397,328
Supplies and services	12,076,263	11,745,333	9,309,847
Utilities	1,200,000	1,473,824	1,451,708
Scholarships and bursaries	263,000	242,350	217,378
Cost of goods sold	2,188,000	2,134,372	2,053,859
Amortization and write down of capital assets	2,600,000	4,168,616	2,941,906
	47,200,000	50,233,529	43,372,026
Excess (deficiency) of revenue over expense	$ 15,000	$ 13,755	$ (622,513)

RED DEER COLLEGE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2002

	2002					2001
	Endowments (Note 12)	Investment in Capital Assets and Art Collections	Internally Restricted (Note 13)	Unrestricted Net Assets	Total	Total
Beginning of year	$ 4,769,628	$ 14,916,967	$ -	$ (562,023)	$ 19,124,572	$ 19,471,515
Excess of revenue over expense				13,755	13,755	(622,513)
Endowments received	282,862				282,862	171,647
Interest income added to endowment principal (Note 17)	140,180				140,180	103,923
Transfers:						
Purchase of capital assets		679,659		(679,659)	-	-
Amortization		(1,583,694)		1,583,694	-	-
Net book value of capital assets disposed		(204,563)		204,563	-	-
Write down of capital leases		(526,375)		526,375	-	
Repayment of long-term debt and capital lease		600,995		(600,995)	-	-
Transfer from unrestricted to endowments	190,931			(190,931)	-	-
Board allocation to internally restricted net assets			262,330	(262,330)	-	-
	$ 5,383,601	$ 13,882,989	$ 262,330	$ 32,449	$ 19,561,369	$ 19,124,572

RED DEER COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2002

	2002	2001
Cash generated from operating activities:		
Excess of revenue over expense	$ 13,755	$ (622,513)
Add:		
Amortization of capital assets	3,437,678	2,735,722
Net book value of capital assets disposed	204,563	206,184
Amortization of deferred capital contributions	(1,853,984)	(1,512,926)
Write-down of capital leases	526,375	-
	2,328,387	806,467
Changes in non-cash working capital accounts (Note 19)	5,321,264	(1,116,825)
Cash generated from (used in) operating activities	7,649,651	(310,358)
Investing activities:		
Acquisition of capital assets		
Internally funded	(679,659)	(1,862,168)
Externally funded	(12,365,764)	(2,416,612)
Capital Lease	(755,612)	(489,752)
Funded by long-term debt		(2,300,000)
Disposal (acquisition) of long-term investments	8,655,965	(12,423,354)
Cash applied to investing activities	(5,145,070)	(19,491,886)
Financing activities:		
Repayment of long-term debt	(147,998)	(99,286)
Capital Lease	755,612	489,752
Repayment of capital lease	(452,997)	(391,619)
Capital contributions (Note 7)	3,095,826	15,287,527
Endowments contribution	423,042	275,570
Addition of long-term debt	-	2,300,000
Cash generated from financing activities	3,673,485	17,861,944
Increase in cash and short-term investments	6,178,066	(1,940,300)
Cash and short-term investments net of bank indebtedness, at beginning of year	2,617,839	4,558,139
Cash and short-term investments net of bank indebtedness, at end year	$ 8,795,905	$ 2,617,839

RED DEER COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002

Note 1 Authority and Purpose

Red Deer College operates under the authority of the Colleges Act, RSA 2000 c. C-19.

The College provides a wide range of quality educational opportunities designed to promote success of learners and the enrichment of life in the communities it serves. The College is mandated to provide certificates, diplomas, and a wide variety of non-credit offerings through adult development programs, career-oriented studies, trades training, and university undergraduate studies.

The College is exempt from the payment of income tax under Section 149 of the Income Tax Act.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidation

The financial statements include the accounts of the College and the Red Deer College Foundation.

(b) Revenue Recognition

Operating grants are recognized in the period when receivable. Operating grants received for a future period are deferred until that future period.

Capital grants are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate that the related amortization expense has been funded.

Restricted contributions and pledges are recognized as revenue if the amounts have been received and the related expenses have been incurred. Unrestricted contributions and pledges are recognized as revenue when received.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Donations of capital assets that will not be amortized, and artwork collections are recognized as direct increases in net assets. Permanent impairment in values of these items is recognized as reduction in net assets.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by external parties. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets, or that the contributions should not be expended, are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

(c) Inventories

Inventories of merchandise for resale are valued at the lower of cost and net realizable value. Substantially all inventories are valued using the retail method of determining cost. Inventories of supplies for consumption are valued at the lower of cost and replacement value.

(d) Investments

Investments are recorded at cost or amortized cost. Amortization of discount or premium is on a straight-line basis over the life of the investment. Gains or losses on sales of investments are recognized as investment income in the year of sale. Where an impairment in the value of the investment is other than temporary, a charge to income will be recognized as an unrealized loss on investments.

(e) Art Collections

Art collections are recorded at cost except for donated items, which are recorded at fair market value at the time of receipt. The recorded amount is reduced for any subsequent permanent impairment.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(f) Capital Assets

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings and site improvements	40 years
Furnishings, equipment and vehicles	10 years
Library	10 years
Computer software	5 years
Computer hardware	5 years
Computer leases	3 years

(g) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provide pensions for the College's participating employees, based on years of service and earnings.

Pension cost is disclosed as a part of salaries and wages and are comprised of the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the Local Authorities Pension Plan. The College's portion of the pension plan's deficit or surplus is not recorded by the College.

Note 3 Investments

Investments are summarized as follows:

	2002	2001
Treasury bills and other	$ 11,858,483	$ 9,940,736
Bonds and coupons	8,007,289	9,621,385
Stocks and equity mutual funds	41,934	2,256,142
	19,907,706	21,818,263
Held as long-term investments	(10,633,849)	(19,289,814)
Short-term investments	$ 9,273,857	$ 2,528,449

The market value of the investments are as follows:

Treasury bills and other	$11,858,483
Bonds and coupons	8,032,235
Stocks and equity mutual funds	66,826

The College's exposure to interest rate risk at June 30, 2002 relates to its investments portfolio of $19,907,706. The College's fixed income investments of $10,365,637 have an effective interest rate of 4.22%. The rate of return on the balance of the portfolio, comprised of mutual fund and stock holdings, is dependent on the fund's performance.

Note 3 Investments (continued)

These investments mature as follows:

	Cost
Non maturing (Mutual Funds and Equities)	$ 9,542,069
2002	3,108,347
2004	1,418,584
2006	715,091
2007	309,578
2008	849,320
2010	999,459
2013	269,822
2017	502,740
2018	152,217
2019	135,177
2021	114,986
2022	60,081
2023	24,954
2025	69,290
2026	292,528
2028	799,852
2031	240,774
2032	54,302
2034	248,535
	$ 19,907,706

Note 4 Art Collections

Art collections represent paintings, sketches and drawings held to further the College's education and research activities.

Note 5 Capital Assets

(a) Summary of Cost and Net Book Value

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and improvements	$ 9,493,992	$ 51,564	$ 9,442,428	$ 8,823,977
Buildings and site improvements	66,759,653	26,693,572	40,066,081	31,627,269
Library	1,071,553	701,731	369,822	328,456
Furnishings and equipment	16,134,671	10,395,698	5,738,973	5,154,263
Computer software	3,157,131	2,652,504	504,627	551,811
Vehicles	408,321	231,206	177,115	180,851
	$ 97,025,321	$ 40,726,275	$ 56,299,046	$ 46,666,627

(b) Donations in Kind

During the year there were no donations in kind of equipment (2001 - $14,700).

(c) Capital Lease

Furnishings and equipment include leased computer equipment with a cost of $1,283,438 (2001 - $1,154,540) and a net book value of $666,991 (2001 - $943,737).

(d) Assets under construction are included in buildings and site improvements with a cost of $9,596,702 (2001 - $648,826) and amortization will commence when the assets are put in service.

Note 6 Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for non-capital purposes.

	2002	2001
Contributions:		
Grants	$ 6,639,804	$ 1,986,196
Donations	644,219	378,171
Interest	432,392	335,889
	7,716,415	2,700,256
Transfer from deferred capital contributions	411,436	-
	8,127,851	2,700,256
Transferred to revenue:		
Grants	4,962,378	2,173,290
Donations and Interest	853,156	535,547
	5,815,534	2,708,837
Transfers to Other Organizations	23,600	40,000
Transfers to Endowment	59,949	109,792
	83,549	149,792
Increase (decrease) during the year	2,228,768	(157,373)
Deferred contributions at beginning of year	892,933	1,050,306
Deferred contributions at end of year	$ 3,121,701	$ 892,933
The balance consists of funds restricted for:		
Infrastructure renewal projects	$ 1,262,233	$ -
Program expansion	915,000	-
Other non capital projects	549,011	644,796
Scholarships and bursaries	395,457	248,137
	$ 3,121,701	$ 892,933

Note 7 Deferred Contributions for Capital Purposes

Deferred contributions for capital purposes represent unspent capital funds.

Grants	$ 789,407	$ 14,416,295
Donations	2,331,279	813,718
Interest	386,576	57,514
	3,507,262	15,287,527
Transfer to deferred contributions	411,436	-
	3,095,826	15,287,527
Transfer to unamortized deferred capital contributions (Note 11)	12,365,764	2,416,612
Increase during the year	(9,269,938)	12,870,915
Deferred contributions at beginning of year	14,520,186	1,649,271
Deferred contributions at end of year	$ 5,250,248	$ 14,520,186

The balance consists of funds restricted for:

Expansion project	$ 4,674,913	$ 11,000,000
Other capital projects	575,335	3,520,186
	$ 5,250,248	$ 14,520,186

Note 8 Capital Lease Obligation

Capital lease obligation is comprised of the following:

Capital lease at 6.06% interest rate expiring August 1, 2002	$ 6,754
Capital lease at 12.77% interest rate expiring December 1, 2002	2,983
Capital lease at 6.67% interest rate expiring August 25, 2003	6,167
Capital lease at 6.67% interest rate expiring August 24, 2003	36,210
Capital lease at 6.67% interest rate expiring August 24, 2003	45,338
Capital lease at 6.67% interest rate expiring August 24, 2003	62,776
Capital lease at 6.60% interest rate expiring Octobert 1, 2003	18,400
Capital lease at 6.60% interest rate expiring Octobert 17, 2003	19,068
Capital lease at 6.67% interest rate expiring December 16, 2003	6,239
Capital lease at 6.71% interest rate expiring May 1, 2004	10,171
Capital lease at 6.43% interest rate expiring July 1, 2004	118,264
Capital lease at 5.28% interest rate expiring December 1, 2004	55,573
Capital lease at 5.35% interest rate expiring February 5, 2005	81,776
Capital lease at 5.28% interest rate expiring March 1, 2005	33,844
Capital lease at 5.83% interest rate expiring May 1, 2005	91,809
Capital lease at 5.83% interest rate expiring May 1, 2005	274,192
	$ 869,564

The obligations are secured by the equipment under capital lease.

Future minimum lease payments are due as follows:

2003	$ 465,158
2004	290,802
2005	175,404
	931,364
Less amount representing interest	61,800
	869,564
Less current portion	465,158
	$ 404,406

Note 9 Long-Term Debt

Long-term debt is summarized as follows:

	Principal Outstanding	
	2002	2001
Student residences, debenture maturing November 1, 2007 at 7.25% per annum interest	$ 387,847	$ 443,449
Student residences, debenture maturing April 3, 2025 at 6.25% per annum interest	2,602,020	2,652,494
Student residences, debenture maturing April 2, 2026 at 6.00% per annum interest	2,258,078	2,300,000
Total long-term debt	5,247,945	5,395,943
Less current portion	157,773	147,999
	$ 5,090,172	$ 5,247,944

The repayment of principal in the next five fiscal years is as follows:

2003	157,773
2004	168,198
2005	179,318
2006	191,180
2007	203,833

The student residences loans are secured by a general security agreement over all proceeds derived directly or indirectly from the operations of the residence buildings.

Note 10 Pension Costs

The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of $1,095,309 for the year ended June 30, 2002 (2001 - $932,411).

At December 31, 2001 the Local Authorities Pension Plan reported a surplus of $634,960 (2000 - $883,823).

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2002	2001
Balance at beginning of year	$ 26,707,403	$ 25,803,717
Add amount transferred from deferred contributions (Note 7)	12,365,764	2,416,612
Less amount amortized to revenue	(1,853,984)	(1,512,926)
	$ 37,219,183	$ 26,707,403

Note 12 Endowments

Endowments are comprised of externally and internally restricted amounts, which are required to be maintained intact except where a donor or the Board of Governors, for internally restricted amounts, agrees to a reallocation for expendable purposes unless otherwise restricted. The terms of certain endowments require the College to maintain the real value of the endowments. Accordingly, a portion of annual investment income earned on the endowment is added to the principal amount. Internally restricted endowments amounted to $755,587 in 2002 (2001 $504,707).

Note 13 Planned Expenditures and Net Assets Internally Restricted

Planned expenditures and net assets internally restricted are held for the following purposes. These amounts are not available for other purposes without the approval of the Board of Governors.

	2002	2001
Innovative instruction	$ 194,474	$ 350,778
Undesignated donations to fund special projects	67,856	-
Student residences	-	309,017
Other	-	190,865
Investing In Our Future Fund	-	93,191
Planned expenditures	262,330	943,851
Planned expenditures in excess of available net assets	-	(943,851)
Net assets internally restricted	$ 262,330	$ -

Note 14 Related Party Transactions

The College is a Provincial Corporation as all the members of the Board of Governors are appointed either by the College Act or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the College and the Province are disclosed as follows in the Consolidated Statement of Revenue and Expense or as part of the deferred contributions balance on the Consolidated Statement of Financial Position:

	Revenue	Deferred Contributions	Deferred Capital Contributions
Operations grant	$ 20,584,576	$ 162,050	$ -
Conditional performance	207,160	-	-
Access/Apprenticeship	3,658,651	1,041,200	235,200
Infrastructure renewal	1,038,957	1,266,886	33,216
Other	30,309	-	-
Expansion Grant	67,550	-	4,364,318
	$ 25,587,203	$ 2,470,136	$ 4,632,734

Note 15 Tuition Fees

Tuition Fee Revenue (from programs under the tuition fee policy)	$8,101,864	$8,103,802
Net operating expenditures	30,480,186	27,599,811
Tuition fee revenue as a % of net operating expenditures	27%	29%

The information above provides a calculation of the ratio of institution tuition fee revenue to net operating expenditures, and demonstrates institution performance with respect to the 30% tuition fee ceiling. The information was prepared in accordance with Section 3 of the Tuition Fee Regulation.

Note 16 Ancillary Services

Ancillary services results are as follows:

	Revenue	Direct Expense	2002 Net	2001 Net
Bookstore	$ 2,872,663	$ 2,552,198	$ 320,465	$ 305,811
Student residences	1,900,699	1,519,260	381,439	184,932
Child care centres	555,380	543,182	12,198	6,535
Parking and security	410,705	321,810	88,895	124,115
	$ 5,739,447	$ 4,936,450	$ 802,997	$ 621,393

Note 17 Investment Income

Investment earnings in the year	$ 2,693,910	$ 1,257,672
Amounts deferred in the year	(432,392)	(335,889)
Amounts deferred to capital	(386,576)	(57,514)
Investment earnings on endowments	(140,180)	(103,923)
Investment earnings on unrestricted resources	$ 1,734,762	$ 760,346

Note 18 Salaries and Benefits

	2002				2001	
	Number of Individuals[3]	Salary[1]	Benefits and Allowances[2]	Total	Number of Individuals[3]	Total
Chairman of the Board	1	$ 3,000	$ -	$ 3,000	1	$ 3,000
Board members	7	14,166	279	14,445	5.8	11,985
President	1	136,052	39,420	175,472	1	148,933
Vice President Education	1	117,433	11,760	129,193	1	123,750
Vice President Administrative Services	1	111,841	10,092	121,933	1	116,800
Executive Director, Human Resources	1	103,979	12,912	116,891	1	111,800
Executive Director of Advancement	0.8	76,313	7,505	83,818	1	99,791
		$ 562,784	$ 81,968	$ 644,752		$ 616,059

(1) Salary includes regular base pay, sabbatical salaries, overtime and honoraria.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including Local Authorities Pension, Teachers' Retirement Fund, Canada Pension Plan, employment insurance, workers' compensation, health care, dental coverage, extended health care, group life and accidental death and dismemberment insurance, professional memberships and tuitions, travel allowances and vacation payouts.

(3) Full-time staff consists of all individuals working 35 hours or more per week.

Note 19 Changes in Non-Cash Working Capital

	2002	2001
Accounts receivable	$ 688,040	$ (115,689)
Inventories	(75,351)	(28,530)
Prepaid expenses	(32,429)	(31,481)
Accounts payable and accrued liabilities	2,216,624	(907,357)
Accrued vacation pay	91,509	263,936
Unearned revenue	204,103	(140,331)
Deferred contributions	2,228,768	(157,373)
	$ 5,321,264	$ (1,116,825)

Note 20 Commitment

Prior to June 30, 2002, the College entered into agreements for the construction and renovation of buildings. These projects are ongoing and the College's contractual obligation subsequent to year-end is estimated at $5,083,000 (2001 - $12,880,000)

Note 21 Budget

The budget was approved by the Board of Governors on June 11, 2001

Note 22 Comparative Figures

Certain 2001 figures have been reclassified to conform to the 2002 presentation

Note 23 Approval of Financial Statements

These consolidated financial statements have been approved by the Board of Governors.

The Northern Alberta Institute of Technology

Consolidated Financial Statements

June 30, 2002

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations and Changes in Net Assets

Consolidated Statement of Cash Flow

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of the Northern Alberta Institute of Technology

I have audited the consolidated statement of financial position of the Northern Alberta Institute of Technology as at June 30, 2002 and the consolidated statements of operations and changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Institute as at June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn CA
Auditor General

Edmonton, Alberta
October 2, 2002

THE NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2002
(in thousands)

	2002	2001
ASSETS		
Current:		
Cash and Short-term investments (Note 3)	$ 2,318	$ 3,547
Account receivable (Note 4)	4,846	5,599
Contributions and pledges receivable (Note 5)	1,523	2,155
Inventories (Note 6)	4,011	3,352
Prepaid expenses	1,010	486
	13,708	15,139
Contributions and pledges receivable (Note 5)	2,502	10,247
Long-term investments (Note 3)	26,168	37,031
Capital assets (Note 7)	174,065	149,764
	$ 216,443	$ 212,181
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable & accrued liabilities	$ 15,635	$ 13,752
Accrued vacation pay	10,076	9,522
Unearned revenue	6,443	5,976
Current portion of long term leases (Note 8)	264	267
Current portion of long term debt (Note 9)	137	-
Deferred contributions (Note 10)	6,865	4,960
	39,420	34,477
Deferred contributions for capital purposes (Note 11)	547	15,075
Long-term leases (Note 8)	167	384
Long-term debt (Note 9)	138	-
Unamortized deferred capital contributions (Note 12)	97,879	84,291
	138,151	134,227
Net Assets:		
Unrestricted net assets (deficiency) (Note 13)	(5,098)	4,071
Internally restricted (Note 14)	-	1,713
Invested in capital assets (Note 7)	75,480	64,822
Endowments (Note 15)	7,910	7,348
	78,292	77,954
	$ 216,443	$ 212,181

The accompanying notes are part of these financial statements.

THE NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2002

(in thousands)

	2002					2001
	Unrestricted	Internally Restricted (Note 14)	Invested in Capital Assets	Endowment (Note 15)	Total	Total
Revenue:						
Grants	$ 84,518				$ 84,518	$ 78,684
Earned revenue programs	23,256				23,256	20,225
Tuition fees	20,149				20,149	18,926
Ancillary services (Note 16)	13,246				13,246	12,376
Amortization of deferred capital contributions	5,497				5,497	5,402
Sales, rentals, services and other	4,166				4,166	3,215
Investment earnings (Note 17)	3,378				3,378	3,000
Fundraising and donations	1,785				1,785	2,120
	155,995	-	-	-	155,995	143,948
Expense (Note 18):						
Salary & benefits (Note 19)	102,393				102,393	92,197
Supplies & services (Note 20)	35,977				35,977	35,906
Amortization of capital assets	11,157				11,157	10,564
Utilities	4,814				4,814	5,002
Facilities rentals	1,068				1,068	873
Scholarships, bursaries & prizes	629				629	624
Loss on disposal of capital assets	181				181	168
	156,219	-	-	-	156,219	145,334
Excess (deficit) of revenue over expense	(224)	-	-	-	(224)	(1,386)
Release of internally restricted net assets for current operating activities	529	(529)			-	-
Net Endowment contributions (Note 15)				562	562	1,503
Amortization of assets acquired with unrestricted net assets	5,660		(5,660)		-	-
Book value of capital assets disposed	342		(342)		-	-
Purchases of capital assets:						-
NAIT HP Centre for Information and Communications Technology	(10,434)	(1,756)	12,190		-	
Other capital assets	(4,097)	(153)	4,250		-	
Repayment of long term lease	(220)		220		-	-
Board allocation to internally restricted net assets	(725)	725			-	-
Change in Net asset balance	(9,169)	(1,713)	10,658	562	338	117
Net asset balance, beginning of year	4,071	1,713	64,822	7,348	77,954	77,837
Net asset (deficiency) balance, end of year	$ (5,098)	$ -	$ 75,480	$ 7,910	$ 78,292	$ 77,954

THE NORTHERN ALBERTA INSTITUTE OF TECHNOLOGY

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED JUNE 30, 2002

(in thousands)

	2002	2001
Cash provided from (used in) operating activities:		
Excess (deficit) of revenue over expense	$ (224)	$ (1,386)
Non-cash transactions:		
Amortization of capital assets	11,157	10,564
Loss on disposal of assets	181	168
Change in pension obligation	-	(173)
Amortization of deferred capital contributions	(5,497)	(5,402)
Cash generated from operations	5,617	3,771
Changes in non-cash working capital accounts (Note 21)	5,011	5,524
	10,628	9,295
Cash provided from (used in) investing activities:		
Acquisition of capital assets:		
Externally funded (Note 11)		
NAIT HP Centre for Information and Communications Technology	(17,280)	(10,577)
Other	(1,805)	(2,158)
Internally funded		
NAIT HP Centre for Information and Communications Technology	(12,190)	(2,612)
Other	(4,250)	(2,876)
Long term debt financed	(275)	-
	(35,800)	(18,223)
Proceeds from disposal of capital assets	161	81
Proceeds from (purchase of) long-term investments - net	10,863	(2,942)
	(24,776)	(21,084)
Cash provided from (used in) financing activities:		
Deferred contributions for capital purposes	12,041	11,373
Long-term leases	(220)	(225)
Long-term debt	275	-
Endowment contributions	823	963
	12,919	12,111
Net (decrease) increase in cash and short-term investments	(1,229)	322
Cash and short-term investments, beginning of year	3,547	3,225
Cash and short-term investments, end of year	$ 2,318	$ 3,547

Note 1 Authority and Purpose

The Northern Alberta Institute of Technology (the "Institute") operates under the authority of the Technical Institutes Act, Chapter T-3, Statutes of Alberta 2000. The Institute offers career-orientated training in business, computer systems, architectural and engineering technologies, environmental and laboratory technologies, health sciences, hospitality and applied arts for the economic development of Alberta and Canada. The Institute is exempt from payment of income tax under Section 149 of the Income Tax Act.

Note 2 Significant Accounting Policies and Reporting Practices

a) Consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Institute, The Northern Alberta Institute of Technology Foundation (operating as NAIT Development Office) and the Institute's proportionate interest in a joint venture with the Southern Alberta Institute of Technology and the British Columbia Institute of Technology.

In preparing the Institute's consolidated financial statements management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. Management believes its estimates to be appropriate, however, actual results could differ from these estimates.

b) Revenue Recognition

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Non-capital donations of materials and services that would otherwise have been purchased are accounted for as externally restricted non-capital contributions, at fair value when a fair value can be reasonably estimated.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Capital donations of assets that would otherwise be purchased are accounted for as externally restricted capital contributions at fair value when a fair value can be reasonably estimated. Contributions for capital assets that will be amortized are transferred to unamortized deferred capital contributions in the period the asset is acquired. Contributions for capital assets that will not be amortized, such as land, are not transferred to unamortized deferred capital contributions or recognized as revenue but are recorded as direct increases in net assets in the period the asset is acquired.

Unamortized deferred capital contributions are recognized as revenue in the periods in which the related capital assets are amortized. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate how the related amortization expense has been funded. Unamortized deferred capital contributions relating to capital assets disposed of are recognized as revenue in the period of disposal, provided that compliance with all restrictions have been met.

Government grants are accounted for as unrestricted contributions or externally restricted contributions in accordance with the terms of funding.

Investment earnings on externally restricted contributions are deferred until restrictions have been met. Externally restricted contributions made for endowment purposes are not recognized as revenue, but are recorded as direct increases in net assets.

Amounts received for tuition fees, contract programs and sales, rentals and services are classified as unearned revenue and recognized as revenue in the period the goods are delivered or the services provided.

Pledges that can be reasonably estimated and where ultimate collection is reasonably assured are recorded as an asset, with the corresponding amount being recorded as fundraising and donations revenue, deferred contributions or endowments as applicable.

c) Inventories

Inventories of merchandise for resale are valued at the lower of average cost and net realizable value. Inventories of supplies for consumption are valued at the lower of average cost or replacement value.

d) Financial Instruments

The fair values of the Institute's accounts receivable, accounts payable and accrued liabilities, and accrued vacation pay approximate their carrying values due to the relatively short periods to maturity of the instruments.

e) Capital Assets

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings and renovations	40 years
Site improvements	10 years
Leasehold improvements	Lease term
Furnishings, equipment and vehicles	2 to 10 years
Software	2 to 5 years
Library holdings	10 years

f) Employee Future benefits

The Institute and its eligible employees participate in the Local Authorities and Management Employees Pension Plans. These plans are multi-employer defined benefit pension plans, administered by the Alberta Pensions Administration Corporation and provide pensions for the Institute's employees based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The Institute's portion of the pension plans' deficit or surplus is not recorded by the Institute.

Note 3 Cash, Short-term Investments and Long-term Investments

Cash, short-term investments and long-term investments are recorded at cost or amortized cost. Fair value is based upon the quoted market price of the securities. Gains or losses are recognized as investment income in the year of sale.

The Institute's investment policy is dedicated to optimizing the return on investment while ensuring that the assets of the Institute are at all times prudently invested and not subject to any undue risk or loss of capital.

Specific guidelines have been established with respect to asset mix, diversification, security, and performance measurement as well as quality, liquidity and term constraints.

a) Cash and Short-term Investments

In addition to cash on hand and on deposit, Cash and Short-term investments, consisting of Banker's Acceptances and Government of Canada Treasury Bills, all mature within one year and bear interest at a weighted average of 2.64% (2001: 4.48%). The effective yield of 2.64% (2001: 4.48%) represents the rate which discounts future cash receipts to the carrying value at June 30, 2002. Carrying value of these securities approximates fair value.

The Institute manages an additional $1,631 (2001: $2,890) of short-term investments as Funds Held on Behalf of Others (Note 25), which are not included in the consolidated financial statements.

The Institute's investment guidelines restrict holdings of short-term investments to high quality and liquid securities where rate of return performance standard is the return on 91-day Canadian Treasury Bills.

b) Long-term Investments

	2002		2001	
	Cost	Market Value	Cost	Market Value
		(in thousands)		
Government of Canada bonds	$ 6,064	$ 6,256	$ 11,698	$ 11,868
Provincial bonds	3,682	3,702	5,496	5,295
Corporate bonds	4,299	4,527	8,507	8,762
Mortgage backed bonds	-	-	1,002	988
Equities	11,950	12,968	10,150	11,916
Other	173	181	178	184
	$ 26,168	$ 27,634	$ 37,031	$ 39,013
Equities are comprised of:				
Canadian equities	$ 6,557	$ 7,784	$ 8,304	$ 9,958
Foreign equities	5,393	5,184	1,846	1,958
	$ 11,950	$ 12,968	$ 10,150	$ 11,916

The carrying value of the Institute's foreign equities investment is in excess of market value as at June 30, 2002. These investments have not been reduced to their market value as, based on management's best judgment, the decline is deemed to be temporary in nature.

	2002	2001
Government of Canada Bonds		
Weighted average years to maturity	4.1 years	3.5 years
Weighted average interest rate	5.96%	6.36%
Effective yield based on purchase price	5.81%	6.02%
Provincial Bonds		
Weighted average years to maturity	10.3 years	9.4 years
Weighted average interest rate	6.49%	6.64%
Effective yield based on purchase price	5.76%	5.80%
Corporate Bonds		
Weighted average years to maturity	6.8 years	5.9 years
Weighted average interest rate	6.75%	7.34%
Effective yield based on purchase price	6.56%	6.67%
Mortgage backed bonds		
Weighted average years to maturity	-	5.0 years
Weighted average interest rate	-	5.53%
Effective yield based on purchase price	-	5.46%

Term to maturity of bonds is based upon the contractual maturity of the security. Effective yields represent the rate that discounts future cash receipts to the purchase price.

In accordance with the Institute's investment guidelines, risk on long-term investment is managed by:

- requiring that all bonds be rated "A" or better by the Dominion Bond Rating Service or an equivalent recognized rating agency;
- holding a diversified selection of Canadian equities with a minimum of twenty securities and limiting exposure in any one security or issuer to 10% of the equity portfolio.
- limiting investment in foreign equities to a maximum of 50% (2001: 20%) of the market value of the total equity portfolio with no funds (2001: no more than one-third of the funds) invested in emerging markets.

Note 4 Accounts Receivable

	2002	2001
	(in thousands)	
Accrued interest on investment	$ 153	$ 322
Foreign accounts receivable	580	647
Canadian accounts receivable	4,113	4,630
	$ 4,846	$ 5,599

Note 5 Contributions and Pledges Receivable

	2002	2001
	(in thousands)	
NAIT HP Centre for Information and Communications Technology		
Pledged donations	$ 1,443	$ 1,280
Alberta Government contribution	-	6,815
Centre for Chemical Studies	998	773
Endowments	729	990
General student awards	525	535
Centre for Welding Technology	330	540
Access Programs - Operating	-	847
Access Programs - Capital	-	622
	$ 4,025	$ 12,402
Presented as:		
Current contributions and pledges	$ 1,523	$ 2,155
Non-current contributions and pledges	2,502	10,247
	$ 4,025	$ 12,402

Note 6 Inventories

	2002	2001
	(in thousands)	
Bookstore	$ 2,523	$ 1,826
Resources & Environment	465	484
General stores	267	320
Applied Building Sciences	253	216
Mechanical & Manufacturing Technology	167	168
Maintenance	141	144
Electrical & Electronics Technology	136	136
Other	59	58
	$ 4,011	$ 3,352

Note 7 Capital Assets

a) Summary of Cost and Net Book Value

	2002			2001
	Cost & Appraised Value	Accumulated Amortization	Net Book Value	Net Book Value
		(in thousands)		
Land	$ 31,734	$ -	$ 31,734	$ 31,400
Buildings, leasehold and site improvements	140,124	61,418	78,706	82,124
Furnishings, equipment and vehicles	68,147	50,002	18,145	18,608
Software	6,655	4,012	2,643	3,651
Leased equipment	1,322	618	704	858
Library	2,529	1,682	847	718
Projects in progress	41,286	-	41,286	12,405
	$ 291,797	$ 117,732	$ 174,065	$ 149,764

b) Net Book Value of Capital Assets are comprised as follows:

	2002	2001
	(in thousands)	
Externally funded (unamortized deferred capital contributions - Note 12)	$ 97,879	$ 84,291
Internally funded (invested in capital assets)	75,480	64,822
Long-term leases (Note 8)	431	651
Long-term debt (Note 9)	275	-
	$ 174,065	$ 149,764

c) Capital Acquisitions

Capital acquisitions during the year included certain donations in kind with a fair value of $938 (2001: $269).

Note 8 Long-term Leases

The following is a schedule of future minimum payments as of June 30, 2002 under capital leases:

		(in thousands)
2003	$	264
2004		136
2005		136
Total minimum lease payments		536
Less: long-term lease premium		(105)
	$	431
Balance comprised of:		
Current portion of long-term leases	$	264
Long-term leases		167
	$	431

Note 9 Long-term Debt

The Institute has mortgaged certain property which requires payment of $137.5 in each of 2003 and 2004 at no interest providing the payments are made by the due date specified in the mortgage.

		(in thousands)
2003 (Current portion of debt)	$	137
2004 (Long-term portion of debt)		138
Total	$	275

Note 10 Deferred Contributions

Deferred contributions represent unspent funds externally restricted for non-capital purposes.

	2002	2001
	(in thousands)	
Contributions:		
Grants	$ 11,204	$ 9,383
Fundraising & donations	1,797	2,746
Earned revenue programs	336	324
Investment earnings	488	422
	13,825	12,875
Transferred to:		
Grants revenue	(9,784)	(7,320)
Fundraising & donations	(1,371)	(1,728)
Earned revenue programs	(335)	(545)
Investment earnings (Note 17)	(368)	(272)
Special Staff Development Fund	(11)	-
Endowments (Note 15)	(51)	(20)
	(11,920)	(9,885)
Increase during the year	1,905	2,990
Deferred contributions, beginning of year	4,960	1,970
Deferred contributions, end of year	$ 6,865	$ 4,960

The balance consists of funds restricted for/by:

	2002	2001
	(in thousands)	
Access programs	$ 2,165	$ 2,178
Facilities Infrastructure Renewal	1,740	612
Scholarships and bursaries	1,372	1,266
Other	576	119
Renovation projects	550	314
Students Athletics	254	253
Learning Enhancement Envelope	148	148
Project sponsorships	60	70
	$ 6,865	$ 4,960

Note 11 Deferred Contributions for Capital Purposes

Deferred contributions for capital purposes represent unspent funds externally restricted for capital purposes.

	2002	2001
	(in thousands)	
Contributions:		
Grants	$ 2,063	$ 11,846
Fundraising & donations	2,494	2,581
Investment earnings	-	8
	4,557	14,435
Transferred to unamortized deferred capital contributions (Note 12)	(19,085)	(12,735)
Increase (decrease) during the year	(14,528)	1,700
Deferred contributions for capital purposes, beginning of year	15,075	13,375
Deferred contributions for capital purposes, end of year	$ 547	$ 15,075

The balance consists of funds restricted for/by:

	2002	2001
	(in thousands)	
NAIT HP Centre for Information and Communications Technology	$ -	$ 13,673
Access programs	458	1,362
Other	89	40
	$ 547	$ 15,075

Note 12 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the external funding of capital assets which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions are as follows:

	2002	2001
	(in thousands)	
Balance at beginning of year	$ 84,291	$ 76,958
Add:		
Amount transferred from deferred contributions for capital purposes (Note 11)	19,085	12,735
Less:		
Amortization of deferred capital contributions	(5,497)	(5,402)
Balance at end of year	$ 97,879	$ 84,291

Note 13 Unrestricted Net Assets (Deficiency)

Unrestricted net assets represent the assets net of liabilities that are not invested in capital assets or held for endowment purposes.

The balance is represented by the following:

	2002	2001
	(in thousands)	
Unrestricted Net Assets before the temporary financing of the NAIT HP Centre for Information and Communications Technology	$ 5,336	$ 4,071
Temporary financing of the NAIT HP Centre for Information and Communications Technology	(10,434)	-
Unrestricted Net Assets (Deficiency)	$ (5,098)	$ 4,071

The temporary financing of the NAIT HP Centre for Information and Communications Technology arises from the following:

Recorded financing	$ 33,794
Cost incurred	(44,228)
Temporary financing from Unrestricted Net Assets	$ (10,434)

This temporary financing will be funded by contributions, pledges and internal capital allocations recorded during 2002/03 to 2006/07 in accordance with the capital financing plan of the Centre.

Note 14 Internally Restricted Net Assets

Internally restricted net assets represent those commitments for which the Board has appropriated funds from the unrestricted net assets. These appropriations do not have interest earnings allocated to them. Internally restricted net assets are summarized as follows:

	Balance at beginning of year	Appropriations from unrestricted net assets	Disbursements during the year	Balance at end of year
		(in thousands)		
Appropriation for capital activities:				
NAIT HP Centre for Information and Communications Technology	$ 1,095	$ 661	$ 1,756	$ -
Incentive funding	27	17	27	17
Coursepack royalties	-	22	22	-
Innovation funding	-	104	104	-
	1,122	804	1,909	17
Appropriation for operating activities:				
NAIT HP Centre for Information and Communications Technology	-	89	89	-
Information systems renewal	49	-	17	32
Coursepack royalties	133	140	244	29
Innovation funding	371	81	68	384
Homag equipment lease	32	38	44	26
Student Laptop Technology	6	12	18	-
Student Laptop Technology - Forestry	-	59	49	10
	591	419	529	481
	1,713	1,223	2,438	498
Release to unrestricted net assets	-	(498)	-	(498)
	$ 1,713	$ 725	$ 2,438	$ -

Note 15 Endowments

Endowments consist of restricted donations to the Institute, the principal of which is required to be maintained intact in perpetuity as well as any internal allocations by the Board. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board.

	2002	2001
	(in thousands)	
Fundraising and Donations	$ 511	$ 1,483
Transferred from Deferred Contributions (Note 10)	51	20
Increase during year	562	1,503
Endowments, beginning of year	7,348	5,845
Endowments, end of year	$ 7,910	$ 7,348

The balance consists of:

	2002	2001
	(in thousands)	
Scholarships and bursaries	$ 5,415	$ 4,965
General	2,033	1,953
Staff Development	253	235
Business Conference	209	195
	$ 7,910	$ 7,348

Note 16 Ancillary Services

	2002			2001
	Revenue	Expense	Net	Net
		(in thousands)		
Bookstore	$ 12,685	$ 11,752	$ 933	$ 696
Food Services	3,619	3,000	619	545
Parking	1,283	636	647	564
	17,587	15,388	2,199	1,805
Less internal sales:				
Bookstore	(4,048)	(3,491)	(557)	(324)
Food Services	(261)	(261)	-	-
Parking	(32)		(32)	-
	$ 13,246	$ 11,636	$ 1,610	$ 1,481

Note 17 Investment Earnings

	2002	2001
	(in thousands)	
Investment earnings from unrestricted sources	$ 3,010	$ 2,728
Investment earnings from restricted sources (Note 10)	368	272
	$ 3,378	$ 3,000

Note 18 Segmented Financial Information

The Institute financial information is comprised of the following operating segments:

		Certificate, Diploma and Applied Degree	Apprenticeship Training Programs	Enterprise Revenue Programs	Total
a)	**Full-load equivalent students (FLE)**				
	2001/02	8,798	2,130		10,928
	2000/01	8,377	1,885		10,262
b)	**Tuition revenue (in 000's dollars)**				
	2001/02				
	Tuition fees	$ 16,175	$ 3,206	$ 768	$ 20,149
	Earned revenue programs	6,253	-	17,003	23,256
		$ 22,428	$ 3,206	$ 17,771	$ 43,405
	2000/01				
	Tuition fees	$ 15,514	$ 2,845	$ 567	$ 18,926
	Earned revenue programs	5,530	-	14,695	20,225
		$ 21,044	$ 2,845	$ 15,262	$ 39,151
c)	**Net Program Cost (in 000's dollars)**				
	2001/02				
	Expenses per financial statements	$ 89,546	$ 32,998	$ 33,675	$ 156,219
	Less cost recoveries	(424)	(200)	-	(624)
		$ 89,122	$ 32,798	$ 33,675	$ 155,595
	2000/01				
	Expenses per financial statements	$ 81,475	$ 28,849	$ 35,010	$ 145,334
	Less cost recoveries	(525)	(211)	-	(736)
		$ 80,950	$ 28,638	$ 35,010	$ 144,598
d)	**Tuition revenue per FLE (in dollars)**				
	2001/02	$ 2,549	$ 1,505		
	2000/01	$ 2,512	$ 1,509		
e)	**Net program cost per FLE (in dollars)**				
	2001/02	$ 10,130	$ 15,398		
	2000/01	$ 9,663	$ 15,193		

As defined by Alberta Learning, one full-load equivalent (FLE) student reflects one student completing the full load for one year of study in a program, or several students combining to complete the equivalent of a normal full load.

Earned Revenue for enterprise revenue programs consists of tuition and contract revenue from non-credit continuing education courses, international education and athletics programs. Earned revenue for Certificate, Diploma and Applied Degree programs consists of tuition from credit continuing education courses. Revenue from ancillary operations is not included.

Operating expenses are allocated to the operating segments based on the Provincial Program Costing Methodology as recommended by Alberta Learning.

Costs for enterprise revenue programs consist of all operations not part of Certificate, Diploma, Applied Degree and Apprenticeship programs. This includes ancillary operations (book store, food services, parking), non-credit continuing education courses, international education projects, athletics programs and the operations of the NAIT Development Office.

Note 19 Salary & Benefits

(a) Pension Costs (Employee Benefits)

The pension expense recorded in Salary & benefits is equivalent to the Institutes' annual contributions payable of $4,148 for the year ended June 30, 2002 (2001 $3,840).

(b) Salary Disclosure

	2002			2001
	Salary[1]	Benefits and Allowances[2]	Total	Total
	(in thousands)			
Chairman of The Board	$ -	$ -	$ -	$ -
Board Members	-	-	-	-
President[3] [4]	200	13	213	173
Vice-Presidents				
Finance & Administration	149	13	162	137
Academic and Student Services	137	6	143	131
Advancement	134	3	137	103
Academic Dean	101	12	113	109

(1) Salary includes regular base pay, performance bonuses, and lump sum payments and honoraria.

(2) Benefits and allowances include the Institute's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans and professional memberships required for employment.

(3) The President has been provided with an automobile by the Institute for which no amount is included in the benefits and allowances.

(4) The President received a payment of $23 for vacation accrued and not taken which is not included in salary, benefits and allowances.

Note 20 Supplies and Services

Supplies and services are summarized by the following major groupings:

	2002	2001
	(in thousands)	
Cost of Goods Sold	$ 9,859	$ 9,331
Purchased labour	7,418	6,825
Repairs, maintenance, renovations	5,425	6,728
Classroom, lab and office supplies	5,199	5,153
Purchased services	2,748	2,441
Administrative expenses	2,231	1,937
Travel, Staff Development	1,925	2,054
Fundraising and donations	676	995
Meetings, hospitality	496	442
	$ 35,977	$ 35,906

Note 21 Changes in Non-Cash Working Capital Accounts

	2002	2001
	(in thousands)	
Accounts receivable	$ 753	$ (380)
Contributions and pledges receivable	632	(2,155)
Inventories	(659)	(116)
Prepaid expenses	(524)	(59)
Accounts payable and accrued liabilities	1,883	3,338
Accrued vacation pay	554	891
Unearned revenue	467	1,015
Deferred contributions	1,905	2,990
	$ 5,011	$ 5,524

Note 22 Commitments

The future minimum payments as of June 30, 2002 under operating leases:

2003	$337
2004	290
2005	290
2006	250
2007	241

Note 23 Contingent Liabilities

The Institute is a defendant in a number of legal proceedings. Claims against the Institute in these proceedings have not been reflected in these financial statements. While the outcome of these proceedings cannot be predicted at this time, it is the opinion of management that the resolution of these claims will not have a material effect on the financial position of the Institute. The cost of settling these claims, if any, will be charged to operations upon settlement.

Note 24 Subsequent events

a) NAIT HP Centre for Information and Communications Technology

Subsequent to the year end the Institute completed construction of the $49,765 NAIT HP Centre for Information and Communications Technology project. The cost of the project was on budget.

b) Transfer of programs from Alberta College Edmonton

Effective July 1, 2002 NAIT will be responsible for operating two programs previously operated by Alberta College Edmonton. With this transfer, capital assets with a net book value of $110 have been transferred to NAIT.

Note 25 Funds Held on Behalf of Others

The Institute holds the following funds on behalf of others over which the Board has no power of appropriation. Accordingly, these funds are not included in the consolidated financial statements.

	2002	2001
	(in thousands)	
Government of Alberta Apprenticeship Initiative	$ 570	$ 1,801
Government of Alberta Individual Learning Modules	405	61
NAIT Student's Association	369	239
Government of Alberta Diagnostic Imaging Projects	247	746
Virtual Global Village Association	28	-
Alberta Association of Colleges and Technical Institutes	12	-
Government of Alberta Curriculum Redevelopment	-	43
	$ 1,631	$ 2,890

Note 26 Related Party Transactions

The Institute is a Provincial Corporation as all the members of the Board of Governors are appointed by statute (the Technical Institutes Act) or by combination of orders by the Lieutenant Governor-in-Council and the Minister of Learning.

The Institute received $ 96,402 in 2002 (2001: $91,331) of grants from the Province of Alberta. These amounts have been recognized as revenue in the consolidated statement of operations or included as unearned revenue, deferred contributions, deferred contributions for capital purposes or unamortized deferred capital contributions on the consolidated statement of financial position.

In 2002, the Institute provided courses to provincial government departments and participated in the development, sale and offering of certain courses with other public colleges and the Southern Alberta Institute of Technology. The revenues and expenses incurred for these have been included in the consolidated statement of operations but have not been separately quantified. These transactions were entered into on the same business terms as with non-related parties and are recorded at fair market value.

Note 27 Budget

The Institute's Board of Governors approved the following consolidated operating budget at the June 4, 2001 Board meeting. At that meeting, the Board also approved capital expenditures and appropriations of $5,170.

Revenue:	
Grants	$ 85,505
Earned revenue programs	21,834
Tuition fees	20,692
Ancillary services	13,076
Amortization of deferred capital contributions	6,580
Investment earnings	2,473
Sales, rentals and services	3,360
Fundraising and donations	1,000
	154,520
Expense:	
Salary & benefits	102,255
Supplies & services	33,614
Amortization of capital assets	11,750
Utilities	5,836
Facilities rentals	774
Scholarships and bursaries	291
	154,520
Excess of revenue over expense	-
Adjust for non-cash items	
Amortization of capital assets	11,750
Amortization of deferred capital contributions	(6,580)
Cash available for capital budget and appropriation	5,170
Contribution to the annual capital budget	(3,920)
Appropriation for campus expansion	(750)
Appropriation for general endowment	(500)
Balanced budget	$ -

Note 28 Comparative Figures

Certain June 30, 2001 figures have been reclassified to conform to the current year presentation.

Note 29 Approval of Financial Statements

These financial statements were approved by the Board of Governors.

SOUTHERN ALBERTA INSTITUTE
OF TECHNOLOGY

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002

Auditor's Report

Consolidated Statement of Financial Position

Consolidated Statement of Operations

Consolidated Statement of Changes in Net Assets

Consolidated Statement of Cash Flows

Consolidated Statement of Supplementary Performance Information

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of the
Southern Alberta Institute of Technology

I have audited the consolidated statement of financial position of the Southern Alberta Institute of Technology as at June 30, 2002 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. I have also audited the consolidated statement of supplementary performance information for the year ended June 30, 2002. These consolidated statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these consolidated statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Institute as at June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

In my opinion, the consolidated statement of supplementary performance information presents fairly, in all material respects, the Institute's performance in accordance with the disclosed basis of measurement and presentation as described in the notes to the statements.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
September 6, 2002

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2002
(in thousands)

	2002	2001 (Restated – Note 3)
ASSETS		
Current		
Cash and short-term investments (Note 4)	$ 8,061	$ 11,928
Accounts receivable	8,445	9,955
Inventories (Note 6)	1,277	1,135
Prepaid expenses	730	586
	18,513	23,604
Long term receivable (Note 5)	606	759
Investments (Note 4)	38,185	39,862
Capital assets (Note 7)	203,624	192,463
	$ 260,928	$ 256,688
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 16,059	$ 13,899
Accrued vacation pay	8,239	7,918
Unearned revenue (Note 8)	4,272	6,295
Deferred salary plans	409	327
Deferred contributions (Note 10)	8,542	9,015
Current portion of long term liabilities (Note 12)	3,486	2,967
	41,007	40,421
Construction payables	-	8,878
Deferred capital contributions (Note 11)	15,031	5,852
Long term liabilities (Note 12)	59,995	63,481
Unamortized deferred contributions related to capital assets (Note 13)	76,643	64,275
	192,676	182,907
Net assets:		
Unrestricted net assets (deficiency)	(3,441)	2,121
Invested in capital assets (Note 14)	63,500	64,063
	60,059	66,184
Endowments (Note 15)	8,193	7,597
	68,252	73,781
	$ 260,928	$ 256,688

Commitments (Note 26)

Approved by the Board of Governors:

Douglas Mitchell, Chairman of the Board

John Aldred, Chair of the Audit & Financial Governance Committee

The accompanying notes are part of these consolidated financial statements.

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2002
(in thousands)

	2002		2001
	Budget (Note 17)	Actual	Actual (Restated – Note 3)
Revenue:			
Grants	$ 77,103	$ 80,191	$ 69,731
Earned revenue programs	34,166	30,966	30,634
Tuition and related fees	21,296	21,541	19,292
Commercial services	14,787	17,240	12,817
Sales, rentals and services	4,850	5,364	5,272
Investment income (Note 4)	1,000	449	306
Donations, contributions and income on restricted contributions (Note 25)	2,970	5,485	4,251
	156,172	161,236	142,303
Amortization of deferred contributions related to capital assets (Note 13)	6,490	8,383	7,332
	162,662	169,619	149,635
Expense:			
Salaries, wages and benefits (Note 18)	101,427	101,990	91,807
Supplies and services (Note 25)	29,194	33,397	28,870
Repairs and maintenance	5,438	8,547	5,946
Utilities	7,559	8,252	9,020
Interest Expense	4,274	3,813	-
Scholarships and projects	1,000	2,084	1,539
Amortization of capital assets	15,940	16,766	14,297
Loss on disposal of capital assets	-	895	420
	164,832	175,744	151,899
Deficiency of revenue over expense	$ (2,170)	$(6,125)	$ (2,264)

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002

(in thousands)

	2002					2001
	Unrestricted	**Investment in Capital Assets**	**Sub-Total**	**Endowments**	**Total**	**Total** (Restated – Note 3)
Deficiency of revenue over expense	$ (6,125)	-	$(6,125)	-	$(6,125)	$(2,264)
Transfers for:						
Acquisition of capital assets	(8,708)	8,708	-	-	-	-
Repayment of long-term liabilities related to capital assets	(644)	644	-	-	-	-
Amortization of capital assets	8,383	(8,383)	-	-	-	-
Disposition of capital assets	1,532	(1,532)	-	-	-	-
Endowment contributions	-	-	-	596	596	901
Increase (decrease) in net assets	(5,562)	(563)	(6,125)	596	(5,529)	(1,363)
Net assets, beginning of year	2,121	64,063	66,184	7,597	73,781	75,144
Net assets, end of year	$ (3,441)	$ 63,500	$ 60,059	$ 8,193	$ 68,252	$ 73,781

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002
(in thousands)

	2002	2001 (Restated – Note 3)
Operating Activities:		
Deficiency of revenue over expense	$ (6,125)	$ (2,264)
Non-cash transactions:		
Amortization of capital assets	16,766	14,297
Amortized deferred contributions related to capital assets (Note 13)	(8,383)	(7,332)
Loss on disposal of capital assets	895	420
	3,153	5,121
Changes in non-cash working capital (Note 23)	1,291	8,343
Cash generated from operating activities	4,444	13,464
Investing Activities:		
Decrease in long term receivable	153	276
Acquisition of capital assets	(29,459)	(80,875)
Redemption of investments, net	1,677	53,053
Proceeds from disposal of capital assets	637	554
Cash used in investing activities	(26,992)	(26,992)
Financing activities:		
Repayment of long term liabilities	(2,967)	(445)
Endowment contributions	596	901
Contributed equipment (Note 13)	2,315	825
Capital contributions (Note 11)	27,615	13,616
Construction payables	(8,878)	(872)
Cash generated from financing activities	18,681	14,025
(Decrease) increase in cash and short-term investments	(3,867)	497
Cash and short-term investments, beginning of year	11,928	11,431
Cash and short term investments, end of year	$ 8,061	$ 11,928

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
CONSOLIDATED STATEMENT OF SUPPLEMENTARY PERFORMANCE INFORMATION
FOR THE YEAR ENDED JUNE 30, 2002

	2002	2001
Full-load equivalent students (Note 19 – restated)	10,601	10,622
Net cost per full-load equivalent student (Note 19)	$ 14,326	$ 12,504
Student hours (contact or equivalent) (Note 20 – restated)	8,930,371	9,004,092
Net cost per student hour (Note 20)	$ 17	$ 15

Students surveyed during the fiscal year who completed an Applied Degree, Diploma or Certificate program during the year ended June 30, 2001 (2000 for comparative figures) (Note 21):

	2002	2001
Annualized salary median for those with full-time Employment	$ 30,000	$ 30,000
Employment rate:		
Full-time	70%	73%
Contract, part-time or temporary	26%	24%
Overall	96%	97%

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2002

Note 1 Authority

The Southern Alberta Institute of Technology operates under the authority of the Technical Institutes Act, Chapter T-3, Revised Statutes of Alberta 2000. The Institute provides educational programs to provide a skilled, productive work force for the economic development of Alberta and Canada. The Institute is exempt from payment of income tax and is also a registered charity under the Income Tax Act. The Institute was established as a board governed institution on April 1, 1982.

Note 2 Significant Accounting Policies

(a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events and, as such, the preparation of these financial statements requires the use of estimates, which may vary from actual results. These financial statements include supplementary performance information in accordance with the following guidelines:

(i) Supplementary performance information should be understandable, relevant, reliable and comparable. Supplementary performance information should be limited to a few key performance measures which influence decisions.

(ii) Supplementary performance information should include measurable information on the Institute's outputs.

(iii) Supplementary performance information should support efforts to evaluate cost effectiveness. Information on the costs of the Institute's outputs should be linked with information on the results these outputs achieve.

(b) Consolidated Statements

These consolidated financial statements include the accounts of The Learning Management Corporation, a wholly owned subsidiary incorporated under the Business Corporations Act of Alberta and the Institute's proportionate interest in a joint venture with the Northern Alberta Institute of Technology and the British Columbia Institute of Technology.

(c) Revenue Recognition

Operating grants, including grants from the Province of Alberta, are recognized as revenue, either in the period receivable, or, where a portion of the grant relates to a future period, the portion is deferred and recognized in the subsequent period.

Capital grants, including grants from the Province of Alberta, are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets and contributions of property are then transferred to unamortized deferred contributions related to capital assets. Unamortized deferred contributions related to capital assets are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contributions revenue are matched to indicate that the related amortization expense has been funded.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Note 2 Significant Accounting Policies (continued)

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expense is incurred. Externally restricted amounts can only be used for purposes designated by external parties. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Amounts received for tuition fees, earned revenue programs, and sale of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

(d) Investments

Investments are recorded at cost. Gains and losses on investments are recognized at realization, or when there is an other than temporary impairment in the value of an investment.

(e) Capital Assets

As determined by an independent appraisal as at April 1982, land is recorded at fair market value and buildings are recorded at amortized replacement cost. Subsequent additions are recorded at cost.

Furnishings, equipment and computer software are recorded at cost. Donated assets are recorded at fair market value at the time of receipt of the donation.

Capital assets are amortized on a straight-line basis over the following average useful lives:

Buildings	40 years
Renovations	25 years
Furnishings, equipment, computer servers and library	10 years
Vehicles	5 years
Computer hardware and software	3 years
Leasehold improvements	Length of Lease

Construction in progress includes the direct construction costs and overhead costs directly attributable to the construction including engineering and legal fees and interest on specific debt attributed to the construction of capital assets. Capitalization of interest is discontinued when the asset is ready for use.

(f) Inventories

Inventory of bookstore merchandise is maintained using the first-in first-out method of costing. Materials, supplies and foodstores inventory is maintained using average costing. All inventory is valued at the lower of cost or net realizable value.

(g) Employee Future Benefits

The Institute participates in the Management Employee Pension Plan and the Local Authorities Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the Institute's participating employees based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The Institute's portion of the pension plans' deficit or surplus is not recorded by the Institute.

The Institute also provides employee future benefits in the form of compensated absences. Costs for these benefits are estimated using reasonable assumptions and are included in these financial statements.

(h) Financial Instruments

The fair values of the Institute's accounts receivable, accounts payable and accrued liabilities, and accrued vacation pay approximate their carrying values due to the relatively short periods to maturity of these instruments.

Note 3 Prior Period Adjustment – Amortization of Deferred Contributions Related to Capital Assets

As a result of an error in determining the amortization of deferred contributions related to capital assets for the year ended June 30, 2001, revenue was understated by $916,841. In addition, unamortized deferred contributions related to capital assets was overstated and net assets invested in capital assets was understated by the same amount. June 30, 2001 comparative figures have been restated to correct this error. The error did not result in any impact on the Institute's financial results for the current year.

	Previously Stated	Adjustment (in thousands)	Restated
Net assets at beginning of year	$ 75,144	$ 0	$ 75,144
Net assets at end of year	$ 72,864	$ 917	$ 73,781
Excess (deficiency) of revenues over expenses	$ (3,181)	$ 917	$ (2,264)

Note 4 Cash and Investments

	2002					2001	
	Cash	Short Term Investment	Long Term Investment	Total Cost	Market	Total Cost	Market
			(in thousands)			(in thousands)	
Cash	2,249	4,919	-	7,168	7,168	$ 2,935	$ 2,935
Money market investments	-	883	30,335	31,218	31,285	30,991	31,071
Bonds	-	-	-	-	-	10,685	10,427
Equities	-	-	7,801	7,801	7,548	7,151	6,767
Cash held by investment Manager	-	10	49	59	59	28	28
Total	2,249	5,812	38,185	46,246	46,060	51,790	51,228

The Institute's investments are divided into two portfolios. The first portfolio encompasses operating funds designated for expenditures within five years and deferred salary plans. The objective is to provide a secure and consistent income flow at or above the rate of inflation. These funds must remain liquid. It is restricted as follows:

a) fixed income investments only,
b) quality constraint of BBB minimum (as per the Dominion Bond Rating Service) and no money market below Rl low
c) no single position, other than Government of Canada credits, at more than 10% of the portfolio.

The second portfolio is designated for long term working capital and restricted funds. The primary objectives are the preservation of capital and achieving a rate of growth in excess of inflation. This second portfolio is restricted to:

a) no more than 25% of the equity portion in small cap securities (less than $650 million market cap)
b) no fixed income investments below BBB and no money market below R1 low.
c) no single position, other than Government of Canada credits, at more than 10% of the portfolio.

The overall rate of return for the year was 3.99% (2001- 5.52%). The effective yield on the money market investments is 3.02% (2001 - 4.65%). Money market investments mature within 90 days while bond investments have a maturity date of no greater than 2 years. Market value of these investments approximates fair value.

The carrying value of the Institute's equity investments is in excess of fair market value at June 30, 2002. These investments have not been reduced to their fair market value as, based on management's best judgment, the decline in fair market value is deemed to be temporary in nature.

Investment income earned on the above investments has been recorded as follows:

	2002	2001
	(in thousands)	
Investment income	$ 449	$ 306
Interest earned on loan advance (Note 12)	56	2,489
Deferred contributions	552	790
Capitalized to endowments	-	115
Total investment income earned	$ 1,057	$ 3,700

Note 5 Long Term Receivable

On September 1, 1999, the Institute's wholly owned subsidiary, The Learning Management Corporation, entered into a purchase and sale agreement for the disposition of certain assets. Proceeds on the sale are to be received in seven equal annual installments starting June 30, 2000 and are non-interest bearing.

Note 6 Inventories

Inventories are summarized as follows:

	2002	2001
	(in thousands)	
Bookstore	$ 1,043	$ 886
Material and supplies	152	157
Foodstores	82	92
	$ 1,277	$ 1,135

Note 7 Capital Assets

(a) Summary of Cost and Net Book Value:

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
		(in thousands)		
Land and improvements	$ 23,792	$ -	$ 23,792	$23,792
Buildings and renovations	267,865	121,135	146,730	55,696
Furnishings, equipment, and library	52,444	36,673	15,771	11,417
Vehicles	1,131	885	246	289
Computer hardware and software	44,392	36,151	8,241	9,559
Leasehold Improvements	47	47	-	-
TLM Licence	1,122	672	450	674
Construction in progress	8,394	-	8,394	91,036
	$ 399,187	$ 195,563	$ 203,624	$ 192,463

(b) Capital Acquisitions

Capital acquisitions during the year included donations in kind in the amount of $2,314,043 (2001 - $825,374).

The Institute capitalized $687,894 (2001 - $2,085,597) of interest for buildings under construction (Note 12).

(c) Capital Leases

At June 30, 2002, the Institute had assets under capital lease with a cost of $590,685 (2001 - $590,685) and accumulated amortization of $252,807 (2001 - $191,902).

Note 8 Unearned Revenue

Unearned revenue is summarized as follows:

	2002	2001
	(in thousands)	
Earned revenue programs	$ 2,784	$ 4,165
Tuition, application fees and prepayments	1,400	1,972
Ancillary services and other	88	158
	$ 4,272	$ 6,295

Note 9 Employee Future Benefits

The Institute provides compensated absences for its employees under a special leave plan. Under this plan, employees contribute 15% of their gross monthly earnings for a contributory period of four years. For the fifth year, employees receive 85% of their gross salary as of the last day of their contributory period. The Institute funds the shortfall between the contributed funds, including interest earned, and the gross salary to be paid in the fifth year. The Institute's liability under this plan included in these financial statements is $166,672 (2001 - $113,156) and has been discounted at a rate of 5%.

The pension expense recorded in these financial statements is equivalent to the Institute's contributions of $3,518,014 for the year ended June 30, 2002 (2001 - $3,046,579).

At December 31, 2001, the Local Authorities Pension Plan reported a surplus of $634,960,000 (2000 - $883,823,000).

Note 10 Deferred Contributions

	2002	2001
	(in thousands)	
Increase during the year:		
Donations and other grants	$ 6,305	$ 4,987
Access funding	8,973	9,695
Infrastructure renewal funding	227	987
Restricted income	552	790
	16,057	16,459
Transfers:		
To deferred capital contributions (Note 11)	(5,429)	(5,328)
To grant revenue	(8,456)	(5,399)
To endowments	(99)	(256)
To donations, contributions and income on restricted contributions	(2,546)	(1,701)
	(16,530)	(12,684)
Balance, beginning of year	9,015	5,240
Balance, end of year	$ 8,542	$ 9,015

The balance of deferred contributions is comprised of:

	2002	2001
	(in thousands)	
Scholarships	$ 1,131	$ 923
Program delivery	5,609	6,691
Other	1,802	1,401
	$ 8,542	$ 9,015

Deferred contributions for program delivery consists primarily of Access program funding.

Note 11 Deferred Capital Contributions

	2002	2001
	(in thousands)	
Increase during the year:		
Infrastructure renewal funding	$ 10,186	$ 1,841
Other grants	12,000	6,447
Transfer from deferred contributions (Note 10)	5,429	5,328
	27,615	13,616
Transfers to unamortized deferred contributions related to capital Assets:		
Infrastructure renewal funding	(8,637)	(4,850)
Restricted capital funds	(6,506)	(1,801)
Access funding	(3,293)	(1,760)
Other grants	-	(6,447)
	(18,436)	(14,858)
Balance, beginning of year	5,852	7,094
Balance, end of year	$ 15,031	$ 5,852

The balance of deferred capital contributions is comprised of donations, contributions and income on restricted contributions for construction, renovations and equipment

Note 12 Long Term Liabilities

	Amount Outstanding (in thousands)	
	2002	2001
Construction loan (a)	$ 42,500	$ 45,000
Construction financing for second student residence (b)	20,746	21,135
Capital lease obligations (c)	235	313
	$ 63,481	$ 66,448
Less: Current portion	(3,486)	(2,967)
	$ 59,995	$ 63,481

Principal payments during the next five fiscal years on long-term liabilities are as follows:

		(in thousands)
2002/03	$	3,486
2003/04		3,519
2004/05		3,553
2005/06		3,500
2006/07		3,533

(a) Pursuant to a loan agreement entered into with a chartered bank on August 17, 1999, the Institute borrowed the sum of $45 million as a construction loan for a new building and renovations. The loan is secured by a charge on the land on which the capital expansion is to occur, bears interest at 7.08%, matures September 28, 2013 and has a 17 year amortization. At maturity, the outstanding principal may be settled or refinanced at prevailing rates. The agreement requires that the Institute maintain cash and investments net of internally restricted reserves and endowments of $14 million for the term of the loan. Accordingly, the effective rate on net borrowings of $31 million is 7.57% per annum.

(b) Pursuant to a loan agreement entered into on June 16, 2000, the Institute borrowed the sum of $21.5 million to finance the construction of a new student residence. The loan bears interest at 6.5% per annum and matures June 16, 2025. Security pledged for the loan includes all future cashflows generated through the operation of the new student residence.

Net interest expense of $687,894 (2001 - $2,085,597) was capitalized during the year as follows:

Interest on long term debt	$	743,959
Less: Interest earned on loan advance (Note 4)		(56,065)
	$	687,894

(c) The implicit interest rate payable on these leases is 6.5%. Interest of $20,348 has been charged to expense during the year.

Note 13 Unamortized Deferred Contributions Related to Capital Assets

Changes in unamortized deferred contributions related to capital assets are as follows:

	2002	2001
	(in thousands)	(Restated – Note 3)
Transferred from deferred capital contributions to acquire capital assets (Note 11)	$ 18,436	$ 14,858
Contributed equipment	2,315	825
Transferred to revenue	(8,383)	(7,332)
Increase during the year	12,368	8,351
Unamortized deferred contributions related to capital assets, beginning of year	64,275	55,924
Unamortized deferred contributions related to capital assets, end of year	$ 76,643	$ 64,275

Note 14 Net Assets Invested in Capital Assets

	2002	2001
	(in thousands)	(Restated – Note 3)
Capital assets	$ 203,624	$ 192,463
Capital related long term liabilities (Note 12)	(63,481)	(64,125)
Unamortized deferred contributions related to capital assets (Note 13)	(76,643)	(64,275)
	$ 63,500	$ 64,063

Note 15 Endowments

Endowments consist of restricted donations to the Institute, the principal of which is required to be maintained intact in perpetuity as well as any internal allocations by the Board. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board.

Endowments on a cumulative basis:

	2002	2001
	(in thousands)	
Externally restricted	$ 7,532	$ 6,936
Internal allocations	661	661
	$ 8,193	$ 7,597

Note 16 Related Party Transactions

The Institute is a Provincial Corporation as all the members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the Institute and the Province are disclosed in the Consolidated Statement of Operations and are as follows:

	2002		2001	
	Revenue	Deferred Contributions And UDCC*	Revenue	Deferred Contributions And UDCC*
	(in thousands)			
Alberta Learning:				
Operating grant	$ 65,033	$ -	$ 58,202	$ -
Performance funding	677	-	2,791	-
Access	7,103	5,895	3,915	7,359
Miscellaneous grants	6,303	-	3,726	6,000
	79,116	5,895	68,634	13,359
Transfer from deferred contributions	108	(108)	110	(110)
	79,224	5,787	68,744	13,249
Earned revenue programs	-	-	281	-
Other provincial departments and agencies:	-	-	-	-
Infrastructure renewal	967	23,021	987	1,192
	$ 80,191	$ 28,808	$ 70,012	$ 14,441

* Unamortized Deferred Contributions Related to Capital Assets

At June 30, 2002, the accounts receivable balance included an amount of $147,681 (2001 - $218,473) due from Alberta Learning.

During 2001 and 2002, the Institute had business transactions with corporations for which certain Board members of the Institute served as senior management. These transactions were at market prices on normal terms of purchase and sale.

In 2001 and 2002, the Institute participated in offering certain courses with other public colleges and universities. The revenues and expenses incurred for these courses have been included in the consolidated statement of operations, but have not been separately quantified.

In addition, the Institute provides systems support to some other public colleges. The revenues and expenses incurred for these services have been included in the consolidated statement of operations. Revenue from these agreements in the amount of $302,191 (2001 - $414,642) is included in these financial statements. These transactions were entered into on the same business terms as with non-related parties and are recorded at their fair value amounts.

The Institute owns the land and building currently being used by the Alberta College of Art and Design ("ACAD"). This use is granted through a facility license agreement in place between the Institute and ACAD. The term of the license is through a renewable contractual agreement between the two parties determined at the pleasure of the Minister of Learning. The Institute has Infrastructure Renewal Funds totaling $761,000 to be utilized for the maintenance of the building being used by ACAD. During the year, $429,520 was utilized for this purpose. The land, building and Infrastructure Renewal Funds have not been recorded in these financial statements.

Note 17 Budget

On March 28, 2001, the Board of Governors approved the revenue and expense budget for the year ended June 30, 2002. On September 25, 2001, the Board of Governors approved an increase of $4,667,000 in revenue and $4,852,000 in expense.

Note 18 Salary Disclosure

	2002 (in thousands)			2001
	Salary[1]	Benefits[2]	Total	Total
Executives:				
President & CEO[3]	$ 175	$ 12	$ 187	$ 177
Vice-President, Academic[3]	$ 139	$ 12	$ 151	$ 132
Vice-President, Finance & CFO [3]	$ 142	$ 13	$ 155	$ 157
Vice-President, Employee & Student Services[3] [4]	$ 106	$ 5	$ 111	-
Vice-President, External Relations[3]	$ 141	$ 12	$ 153	$ 155
Board of Governors – honoraria				
Chairman[5]	-	-	-	-
Members[5]	$ 7	-	$ 7	$ 8

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[1] Salary includes regular base pay and performance payments.

[2] Benefits include the Institute's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, and professional memberships.

[3] Automobile provided, but no dollar amount included in the benefits figure.

[4] This was a newly created position. The individual began employment in this position in October 2001.

[5] Some members do not accept honoraria.

Note 19 Full-load Equivalent Students

	Degree Certificate And Diploma Program	Apprenticeship Training Programs	Earned Revenue Programs	2002 Institute Totals	2001 Institute Totals
Costs per financial statements				$ 175,744,000	$151,899,000
Costs of non-academic Institute programs (Note 22)				(22,600,000)	(18,062,000)
Program costs[1]	84,901,000	19,952,000	48,291,000	153,144,000	133,837,000
Cost recoveries and miscellaneous Sales and other revenue[2]	(744,000)	(210,000)	(320,000)	(1,274,000)	(1,024,000)
Net program costs	84,157,000	19,742,000	47,971,000	$ 151,870,000	$132,813,000
Full-load equivalent students (FLE)[3]	6,184	1,366	3,051	10,601	10,622
Net cost per FLE student	$ 13,609	$ 14,453	$ 15,723	$ 14,326	$ 12,504

(1) Academic department administration costs are allocated based on direct cost proportions for each program type. Institute overhead costs are allocated based on the number of on campus class and laboratory hours for each program type.

(2) Consulting fees, student training product sales and other miscellaneous sales and fees for services generated gross revenues of $1,274,000. This revenue is netted against program costs on the same basis as associated direct and overhead costs.

(3) The 2001 full-load equivalent (FLE) has been restated to reflect a new method of calculating student practicum FLE established by the Department of Learning.

As defined by the Ministry of Learning, one full-load equivalent (FLE) student reflects one student completing the full load for one year of study in a program, or several students combining to complete the equivalent of a normal full load. For programs where a year of study requires 24 to 36 weeks, an individual student taking a full load will earn one FLE. A student completing the requirements for a program less than 24 weeks will earn less than one FLE for a full year of study. Similarly, a student completing the requirements for a program greater than 36 weeks will earn more than one FLE for a full year of study. The FLE computation for a short or long program is based on a 32 week program of study. Apprenticeship Training Programs use 30 weeks as the standard length for FLE computations for one year of study in a program.

Programs are designed by the Institute - curriculum, program length and delivery mode.

The number of FLE students enrolled in credit courses during the year is calculated by:

(i) accumulating the student hours (contact or equivalent) of a student through an academic year,

(ii) dividing the accumulated student hours by the hours required to complete a year of study in a program, and

(iii) aggregating the numbers for all students.

In addition, non-credit course registrations are converted into FLE's in the same manner as credit courses.

Note 20 Student Hours (Contact or Equivalent)

	Degree, Certificate And Diploma Programs	Apprenticeship Training Programs	Earned Revenue Programs	2002 Institute Totals	2001 Institute Totals
Net program costs (Note 19)	$ 84,157,000	$ 19,742,000	$ 47,971,000	$ 151.870,000	$132,813,000
Student hours (contact or equivalent)[(1)]	5,147,787	1,218,127	2,564,457	8,930,371	9,004,092
Net cost per student hour (contact or equivalent)	$ 16	$ 16	$ 19	$ 17	$ 15
FLE students (Note 19)	6.184	1,366	3,051	10,601	10,622
Average hours per FLE	832	892	841	842	848

(1) The 2001 student hours has been restated to reflect a new method of calculating student practicum equivalent hours established by the Department of Learning.

Student hours (contact or equivalent) represent the number of classroom (including hours derived from courses taught by alternate delivery methods i.e. correspondence, teleconference and computer managed learning), laboratory, or practicum hours assigned to each course multiplied by the number of students enrolled in each course. The number of students enrolled and the related student hours is obtained from the Institute's Student Information System.

Note 21 Employment Within One Year of Completion

	Surveyed...		Of Those Responding.....		Of Those Looking for Employment.....			
Employment Results for Students Who Completed a Certificate, Applied Degree or Diploma Program in 2001	Number of Students Who Completed a Program	Number of Survey Respondents	Number Not Seeking Employment	Number Seeking Employment	Full-time, Permanent Employment	Full-time Employment Annualized Salary Median	Contract, Part-time or Temporary Employment	Overall Employment Rate
Business and Tourism	716	644	91	553	371	$25,000	168	97%
Construction	169	155	6	149	118	$30,000	24	95%
Energy	287	258	20	238	188	$40,150	37	95%
Health and Public Safety	210	197	9	188	131	$33,450	56	99%
Information and Communications Technologies	501	447	32	415	245	$32,250	144	94%
Manufacturing and Automation	97	89	8	81	65	$33,450	11	94%
Transportation	137	127	7	120	97	$29,500	15	93%
Centre for Academic Learning Services	4	4	0	4	1	n/a	1	50%
Totals	2,121	1,921 91%	173 9%	1,748 91%	1,216 70%	$30,000	456 26%	96%
Prior year totals	2,345	2,157 92%	184 9%	1,973 91%	1,440 73%	$30,000	478 24%	97%

(Percentage totals may not add in this table because of rounding)

Note 21 Employment Within One Year of Completion (continued)

The employment survey does not include students who have completed the Certificate/Diploma Academic Upgrading Program, Apprenticeship Training Programs, EMT-A (Emergency Medical Technician – Ambulance), EMR (Emergency Medical Responder) or Earned Revenue Programs.

Employment information was collected from students (or their proxy) who had completed a program of study during the 2000-2001 academic year. In the current year, all students recorded as graduates as of February 15, 2002 were surveyed.

Surveys were conducted by telephone between January 2002 and March 2002. In the prior year, the surveys were conducted by telephone between January 2001 and March 2001.

Employment is full-time if the student who completed a program indicated that their job was full-time (greater than 30 hours per week) at the time of the survey.

Contract, part-time, or temporary employment includes students who completed a program and were employed in a contract, part-time, or temporary position at the time of the survey, or had been for at least three months in such a position prior to the survey date, but were not employed at the date of the survey.

Note 22 Non-academic Institute Programs

						2002	2001
	Revenue	Operating Expense	Gross Margin	Allocated Overhead	Amortization of Capital Assets	Net Profit (Loss)	Net Profit (Loss)
			(in thousands)				
Commercial services[1]	$ 17,240	$ 16,062	$ 1,178	$ 2,005	$ 1,704	$ (2,531)	(1,891)
Scholarship and projects	2,084	2,084	-	-	-	-	-
The Learning Management Corporation	432	517	(85)	-	228	(313)	(389)
Total	$ 19,756	$ 18,663	$ 1,093	$ 2,005	$ 1,932	$ (2,844)	$ (2,280)

[1] These non-academic activities are intended to generate revenue to offset associated costs or make a profit. Overhead costs were allocated based on number of support departments, direct costs and space usage.

Note 23 Changes in Non-cash Working Capital

	2002	2001
	(in thousands)	
Accounts receivable	$ 1,510	$ 289
Inventories	(142)	330
Prepaid expenses	(144)	(265)
Accounts payable and accrued liabilities	2,160	2,673
Unearned revenue	(2,023)	38
Deferred salary plans	82	106
Deferred contributions	(473)	3,775
Accrued vacation pay	321	1,397
	$ 1,291	$ 8,343

Note 24 Interest in Joint Venture

Effective July 1, 2000, the Institute entered into a joint venture agreement with the Northern Alberta Institute of Technology and the British Columbia Institute of Technology. The joint venture is involved in the production and marketing of a Power Engineering multimedia learning product. The results of the joint venture are proportionately consolidated in the financial statements as follows and represent the Institute's 54% (2001 – 66.5%) interest in the joint venture:

Statement of financial position:

	2002	2001
Assets:		
Cash	$ 219	$ 155
Inventories	47	33
	$ 266	$ 188
Current Liabilities:		
Accounts payable	$ 47	$ 33
Net Assets:		
Unrestricted net assets	219	155
	$ 266	$ 188

Statement of operations:

	2002	2001
Revenue:		
Sales, Rentals, Services	$ 697	$ 593
Expenses:		
Salaries and Benefits	273	241
Supply and Services	216	197
Excess of revenue over expense	$ 208	$ 155

Statement of cash flow:

	2002	2001
Cash provided from operating activities:		
Excess of revenue over expense	$ 208	$ 155
Paid out to joint venture partner	(144)	-
Net increase in cash	64	155
Opening cash	155	-
Ending cash	$ 219	$ 155

Note 25 Contributed Materials and Services

The Institute received donated software to be used in the delivery of certain programs. The software modules used by the Institute have been included in these financial statements at their estimated fair market value of $2,550,000 (2001 - $2,550,000).

Note 26 Commitments

As at June 30, 2002 the Institute has commitments totaling $4,128,709.

Note 27 Contingent liabilities

The Institute is defending a number of legal proceedings. Claims against the Institute in these proceedings have not been reflected in the financial statements. While the outcome of these proceedings cannot be predicted at this time, it is the opinion of management that the resolution of these claims will not have a material effect on the financial position of the Institute. The cost of settling these claimes, if any, will be charged to operations upon settlement.

Note 28 Comparative Figures

Certain June 30, 2001 figures have been reclassified to conform to the current year presentation.

ATHABASCA UNIVERSITY

Financial Statements

For the year ended March 31, 2003

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Athabasca University Governing Council

I have audited the statement of financial position of the Athabasca University as at March 31, 2003 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
May 15, 2003

ATHABASCA UNIVERSITY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2003
(thousands of dollars)

ASSETS

	2003	2002
Current assets		
Cash and short-term investments (Note 3)	$ 14,892	$ 11,209
Accounts receivable (Note 5)	3,493	2,869
Inventory of course materials	2,832	3,084
Prepaid expenses	413	357
	21,630	17,519
Non-current investments (Notes 3 and 4)	5,255	4,892
Deferred course development costs (Note 6)	386	525
Capital assets (Note 7)	21,469	23,024
	$ 48,740	$ 45,960

LIABILITIES AND NET ASSETS

	2003	2002
Current liabilities		
Accounts payable and accruals	$ 1,769	$ 1,834
Salaries and benefits payable (Note 17)	4,845	3,457
Deferred revenue	8,552	7,301
Deferred contributions (Note 8)	1,025	1,338
Due to Joint Venture (Note 4)	287	398
Current portion of obligation under capital lease (Note 9)	53	47
	16,531	14,375
Obligation under capital lease (Note 9)	136	153
Deferred salaries and benefits payable	1,492	998
Unamortized deferred capital contributions (Note 10)	13,095	13,353
Unamortized course development contributions (Note 10)	386	525
Deferred capital contributions (Note 11)	662	1,261
	32,302	30,665
Net assets		
Investment in capital assets (Note 7)	8,185	9,471
Endowments (Note 12)	1,089	1,089
Internally restricted (Note 13)	5,979	4,735
Unrestricted	1,185	-
	16,438	15,295
	$ 48,740	$ 45,960

Approved on behalf of the Governing Council

Mr. Robert M. Fulton, Q.C.
Chairman

Dr. Dominique Abrioux
President

The accompanying notes are part of these financial statements.

ATHABASCA UNIVERSITY

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2003

(thousands of dollars)

	2003	2002
Revenue		
Province of Alberta grants (Note 16)	$ 20,758	$ 19,335
Undergraduate student fees	20,897	17,303
Graduate student fees	10,222	9,272
Sales of goods and services	7,488	5,296
Amortization of deferred capital contributions (Note 10)	1,011	1,086
Amortization of deferred course development contributions (Note 10)	139	253
Interest (Note 12)	439	730
Donations	51	36
Research and other grants	501	225
Other	303	104
	61,809	53,640
Expenses		
Salaries and benefits (Note 18)	37,423	33,101
Fees and purchased services	8,748	8,252
Materials and supplies	5,286	4,891
Communications and travel	4,280	4,230
Amortization of capital assets	3,279	3,036
Amortization of deferred course development costs (Note 6)	139	253
Insurance, utilities and taxes	573	463
Facilities rental	797	767
Scholarships	141	125
	60,666	55,118
Excess (deficiency) of revenue over expenses	$ 1,143	$ (1,478)

ATHABASCA UNIVERSITY

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2003

(thousands of dollars)

	2003					2002
	Investment in Capital Assets	Endowments	Internally Restricted	Unrestricted	Total	Total
Balance, beginning of year	$ 9,471	$ 1,089	$ 4,735	$ 0	15,295	$ 16,598
Excess (deficiency) of revenue over expenses	-	-	-	1,143	1,143	(1,478)
Investment in capital assets, internally funded	971	-	-	(971)	-	-
Repayment of obligations under capital lease	11	-	-	(11)	-	-
Capital contribution for land	-	-	-	-	-	175
Amortization of internally funded assets	(2,268)	-	-	2,268	-	-
Transfers (Note 13)	-	-	1,244	(1,244)	-	-
Balance, end of year	$ 8,185	$ 1,089	$ 5,979	$ 1,185	$ 16,438	$ 15,295

ATHABASCA UNIVERSITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2003

(thousands of dollars)

	2003	2002
Cash provided from (used in) operating activities:		
Excess (deficiency) of revenue over expenses	$ 1,143	$ (1,478)
Items not affecting cash flow:		
Amortization of capital assets	3,279	3,036
Amortization of deferred course development costs	139	253
Amortization of deferred capital contributions	(1,011)	(1,086)
Amortization of deferred course development contributions	(139)	(253)
Increase (decrease) in deferred salaries and benefits payable	494	(100)
Write down of investment	137	-
Equity in joint venture earnings	(32)	(80)
Transfer from deferred capital contributions (Note 8)	(58)	-
	3,952	292
Change in non-cash working capital		
Change in accounts receivable, inventory of course materials and prepaid expenses	(428)	(410)
Change in current liabilities, except current portion of obligation under capital lease	2,150	1,344
	1,722	934
	5,674	1,226
Cash used in investing activities:		
Increase (decrease) in non-current investments	(468)	2,040
Capital asset acquisitions, internally funded	(971)	(2,345)
Capital asset acquisitions, externally funded	(753)	(2,242)
Deferred course development costs (Note 6)	-	(112)
	(2,192)	(2,659)
Cash provided from financing activities:		
Deferred capital contributions (Note 11)	212	3,440
Capital lease payments	(11)	(429)
Capital contribution for land	-	175
	201	3,186
Increase in cash and cash equivalents	3,683	1,753
Cash and cash equivalents, beginning of year	11,209	9,456
Cash and cash equivalents, end of year	$ 14,892	$ 11,209

ATHABASCA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2003

(thousands of dollars)

Note 1 Authority and Purpose

Athabasca University (the "University") operates under the authority of the Universities Act, Chapter U-3, Revised Statutes of Alberta 2000. It is directed by an appointed Governing Council and offers undergraduate and graduate degree programs through distance education. The University is a registered charity and is exempt from the payment of income taxes.

Note 2 Significant Accounting Policies and Reporting Practices

(a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates, the potential errors of which, in administration's opinion, are within reasonable limits of materiality have been made using professional judgments and conform to the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Revenue Recognition

Government operating grants are recognized as revenue in the period received, or, where the grants relate to a future period, they are deferred and recognized in the subsequent period.

Contributions restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the acquisition of capital assets having a limited life are deferred and recorded as deferred capital contributions in the period in which they are expended. Deferred capital contributions are amortized to revenue over the useful lives of the related assets. Contributions restricted for the development of courses are deferred and amortized to revenue over the duration of the courses.

Endowment contributions are recognized as direct increases in net assets in the period in which they are received. Contributions restricted for the acquisition of non-consumable capital assets are recognized as direct increases in net assets in the period in which they are expended.

Revenues received for the provision of goods and services are recognized in the period in which the goods are provided or the services rendered. Deferred revenue includes course and seminar fees received in advance.

(c) Investments

Current investments are valued at the lower of cost and market value. Non current investments are valued at cost or, when there has been other than a temporary impairment in the value of the investment, at market value. Gains or losses on sales of investments are recognized in the year of disposal. The investment in a joint venture is accounted for using the equity method.

(d) Inventory of Course Materials

Inventory of course materials is valued at the lower of cost and net realizable value.

(e) Copyrights

It is the policy of the University to obtain a copyright on all course material produced. These copyrights are recorded at a nominal value of $1 and included in prepaid expenses.

(f) Deferred Course Development Costs

Costs related to the development of special purpose courses through Curriculum Redevelopment Funding are deferred and amortized over periods not exceeding five years.

(g) Capital Assets

Capital assets acquisitions are recorded at cost, except for donated assets, which are recorded at fair value. Capital assets are amortized on a straight-line basis over the assets' estimated useful lives as follows:

	Years
Buildings and site improvements	40
Furnishings, equipment and software	3 – 10
Library materials	10

Works of art assets purchased by the University are recorded at cost. Donated works of art assets are recorded at fair values.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(h) Employee Future Benefits

The University participates with other employers in two defined benefit pension plans, the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the respective pension plan. The University does not record its portion of the pension plans' deficit or surplus.

The University has other defined benefit plans. The cost of benefits earned by employees in these plans is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation. Net actuarial gains (losses) are recognized immediately.

(i) Fair Value of Financial Instruments and Cash Equivalents.

The carrying values of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed. Cash and cash equivalents consists of cash and short-term investments. Short-term investments consist of commercial paper, bonds, and a term deposit that mature within one year.

Note 3 Investments

Non-current investments represent funds related to deferred capital contributions, endowments and certain amounts internally restricted by the Governing Council and consist, together with cash and short-term investments, of the following.

	2003				2002	
	Cash and Short-term Investments	Non-current Investments	Total		Total	
			Cost	Market[1]	Cost	Market
Bank balances	$ 5,245	$ 38	$ 5,283	$ 5,283	$ 4,556	$ 4,556
Money market investments[2]	9,647	4,088	13,735	13,735	10,313	10,313
Bonds[3]	-	1,006	1,006	1,029	1,016	1,057
Other investments[4]	-	123	123	123	216	216
Total 2003	$ 14,892	$ 5,255	$20,147	$20,170	$16,101	$16,142
Total 2002	$ 11,209	$ 4,892	$16,101	$16,142		

[1] Market value approximates fair value of investments, except for other investments, where cost is assumed to be fair value.

[2] Money market investments are purchased at a discount by the University and must be rated at R-1 or better (rated by Dominion Bond Rating Service). At March 31, 2003, the investments held have an average effective yield of 3.04% (2.14% - 2002) and will mature within 60 days.

[3] The bonds mature December 2003 with a stated interest rate of 7.75% and have an effective yield of 6.80%. The bonds are expected to be held to maturity.

[4] Other investments, recorded at the lower of cost and estimated market value, include shares of two private companies and a joint venture interest. During the year, shares of one company were written down to a nominal value.

Note 4 Interest in Joint Venture

The University has a one-third joint venture interest in the Campus Alberta: Graduate Program in Counseling. Three Alberta universities formed the joint venture to develop and deliver a Collaborative Alberta Graduate Counseling Program.

The University's equity in the accumulated earnings of the joint venture at March 31, 2003 is $123 (2002 - $80).

Note 4 Interest in Joint Venture (continued)

The University's share of the joint venture's assets, liabilities and equity is:

	2003	2002
Current assets[1]	$ 282	$ 209
Capital assets	10	8
	$ 292	$ 217
Current liabilities	$ 159	$ 129
Deferred capital contributions	10	8
Joint venture interest	123	80
	$ 292	$ 217

(1) Included in current assets is a receivable of $137 (2002 - $159) from Athabasca University for operating funds that are being administered on behalf of the joint venture.

The University's share of joint venture earnings for the year ending March 31, 2003 is $32, which is one-third of the net of total revenues of $872 less total expenses of $776.

At March 31, 2003 the Due to Joint Venture net liability is $287 (2002 - $398), comprised of $410 (2002 - $478) operating funds belonging to the Joint Venture less $123 (2002 - $80) of the University's equity in accumulated earnings.

Note 5 Accounts Receivable

Accounts receivable includes $535 (2002 - $44) in grants due from the Province of Alberta.

Note 6 Deferred Course Development Costs

	2003	2002
Balance, beginning of year	$ 525	$ 666
Costs incurred during the year	-	112
	525	778
Less amount amortized during the year	(139)	(253)
Balance, end of year	$ 386	$ 525

Note 7 Capital Assets and Investment in Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,567	-	$ 1,567	$ 1,567
Buildings and site improvements	25,300	12,852	12,448	13,295
Building construction in progress	490	-	490	-
Furnishings, equipment and software (Note 9)	17,287	11,700	5,587	6,690
Library materials	4,938	4,181	757	852
Works of art	620	-	620	620
	$ 50,202	$ 28,733	21,469	23,024
Unamortized deferred capital contributions related to capital assets (Note 10)			(13,095)	(13,353)
Obligation under capital lease (Note 9)			(189)	(200)
Investment in capital assets			$ 8,185	$ 9,471

The University holds a collection of 486 works of art consisting of sketches, limited edition prints, photographs and some original paintings. The works of art are held by the University for public exhibition.

Note 8 Deferred Contributions

Deferred contributions represent unspent restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2003	2002
Balance, beginning of year	$ 1,338	$ 1,879
Contributions received in the year	634	322
Transfer from deferred capital contributions (Note 11)	58	-
Amount recognized as revenue in the year	(1,005)	(863)
Balance, end of year	$ 1,025	$ 1,338
The balance consists of funds restricted from:		
Province of Alberta		
Access	$ 410	$ 730
Learning Enhancement	76	140
Curriculum Redevelopment	70	70
Intellectual Infrastructure	13	17
Sponsored research projects	456	381
	$ 1,025	$ 1,338

Note 9 Obligation Under Capital Lease

The University leases certain equipment under agreements, which are classified as capital leases. Costs and accumulated amortization of such assets totaled $1,210 and $416 respectively (2002 - $1,210 and $265) and are included in furnishings, equipment and software (Note 7).

As of March 31, 2003, future minimum lease payments under the capital lease are as follows:

2004	54
2005	54
2006	54
2007	53
Total future minimum lease payments	215
Less amount representing implicit interest at 8%	(36)
Present value of future minimum lease payments	179
Plus accrued interest	10
Total capital lease payable	189
Less current portion obligation under capital lease	(53)
Long term obligation under capital lease	$ 136

Note 10 Unamortized Deferred Capital and Deferred Course Development Contributions

	2003			2002
	Related to			
	Capital Assets	Deferred Course Development	Total	Total
Balance, beginning of year	$ 13,353	$ 525	$ 13,878	$ 13,038
Contributions (Note 11)	753	-	753	2,179
	14,106	525	14,631	15,217
Amortized to revenue	(1,011)	(139)	(1,150)	(1,339)
Balance, end of year	$ 13,095	$ 386	$ 13,481	$ 13,878

Note 11 Deferred Capital Contributions

Deferred capital contributions represent unspent capital funding received from governments and publicly funded organizations.

	2003	2002
Balance, beginning of year	$ 1,261	$ -
Add contributions received in the year	212	3,440
Transfers to unamortized deferred capital contributions in the year (Note 10)	(753)	(2,067)
Transfer to unamortized deferred course development contributions in the year (Note 10)	-	(112)
Transfer to deferred contributions in the year (Note 8)	(58)	-
Balance, end of year	$ 662	$ 1,261

Note 12 Endowments

Endowments consist of externally restricted donations to the University, the principal of which is required to be maintained intact. There are no externally imposed restrictions over the use of the investment income generated from endowments and accordingly, all investment income earned is recognized as revenue in the Statement of Operations.

Note 13 Internally Restricted Net Assets

The Governing Council had designated internally restricted net assets for future operating and capital needs.

	2003			2002
	Operating	Capital	Total	Total
Balance, beginning of year	$ 2,735	$ 2,000	$ 4,735	$ 5,763
Transfers from (to) unrestricted net assets	1,244	-	1,244	(1,028)
Balance, end of year	$ 3,979	$ 2,000	$ 5,979	$ 4,735

The balance consists of funds internally restricted for:

	2003			2002
	Operating	Capital	Total	Total
Building Renovations	$ -	$ 2,000	$ 2,000	$ 2,000
New Program Development	1,729	-	1,729	451
Future Student Awards	1,381	-	1,381	1,415
Future Employee Benefits	869	-	869	869
	$ 3,979	$ 2,000	$ 5,979	$ 4,735

Note 14 Budget

The following budget amounts are part of the annual plan that was approved by the Governing Council on March 22, 2002.

	Approved 2002-2003 Budget
Revenue	
Province of Alberta grants	$ 21,854
Undergraduate student fees	18,437
Graduate student fees	10,734
Sales of goods and services	4,747
Amortization of deferred capital and deferred course development contributions	1,000
Interest	528
Other	215
	$ 57,515
Expenses	
Salaries and benefits	$ 35,379
Fees and purchased services	8,018
Materials and supplies	5,715
Communications and travel	3,637
Amortization of capital assets and deferred course development costs	3,150
Facilities rental	942
Insurance, utilities and taxes	493
Scholarships	150
	$ 57,484
Excess of revenue over expenses	$ 31

Note 15 Operating Lease Commitments

The University is committed to operating leases expiring no later than 2008 for facilities and equipment with the following annual payments:

2004	$ 813
2005	$ 706
2006	$ 556
2007	$ 345

The University is also required to pay a pro rata share of operating expenditures of the facilities.

Note 16 Related Party Transactions

The University is a Provincial Corporation as all of the members of the Governing Council are appointed either by a Province Statute (the Universities Act) or by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the University and the Province of Alberta are summarized below.

	2003	2002
Operating grant	$ 17,848	$ 16,382
Infrastructure	-	3,387
Access funding	1,892	1,482
Growth	351	384
Performance	-	171
Learning enhancement envelope funding	-	55
Utility rebate	-	(63)
Other	267	295
Total contributions	20,358	22,093
Plus deferred contributions from Provincial sources	446	682
Less deferred capital contributions from Provincial sources	(46)	(3,440)
Province of Alberta grants revenue	$ 20,758	$ 19,335

The University offered certain courses at other provincial post-secondary institutions. The revenue for these courses amounted to $1,019 (2002 - $872).

Note 17 Employee Future Benefits

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan, which are multi-employer plans. The expense recorded in these financial statements equals the University's employer contributions of $1,570 (2002 - $1,452) for the year ended March 31, 2003.

At December 31, 2002, the Universities Academic Pension Plan reported an actuarial deficiency of $327,372 (2001 - $151,996). An actuarial valuation of the Universities Academic Pension Plan was carried out as at December 31, 2000 which was then extrapolated to December 31, 2002. The extrapolation did not include the impact of increases in the maximum pensionable salary amount proposed in the 2003 Federal Budget. The next actuarial valuation of the Universities Academic Pension Plan is required to be completed by the end of 2003.

At December 31, 2002, the Public Service Pension Plan reported an actuarial deficiency of $175,528 (2001 - surplus of $ 320,487). An actuarial valuation of the Plan was carried out as at December 31, 2000 which was then extrapolated for the

December 31, 2002 financial statements. The next actuarial valuation will be carried out effective December 31, 2002, and any differences between the valuation and extrapolation results will be reported as gains or losses in the December 31, 2003 financial statements of the Plan.

The University's non-pension defined benefit plans are not fully funded. The non-pension defined benefit plans' deficit equals the accrued benefit obligation of $1,843 (2002 - $1,266) which is recorded in salaries and benefits payable.

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations for the non-pension defined benefit plans are as follows:

	2003	2002
Discount rate		
Administrative Leave Plan	5%	6.5%
Flexible Benefit Plan	6%	6.5%
Rate of compensation increase		
First year	7%	3.5%
Subsequent years	6%	3.5%
Average remaining service period of active employees		
Administrative Leave Plan	5 years	7 years
Flexible Benefit Plan	13 years	14 years
Retirement age	60 years	60 years

During the year the University paid benefits from its non-pension defined benefit plans totaling $34 (2002 - $371).

Note 18 Salary and Benefits

Salary and employee benefit information is disclosed pursuant to a Treasury Board directive under the Financial Administration Act of the Province of Alberta.

	2003				2002	
	Number of Individuals(4)	Salary(1)	Benefits and Allowances(2)	Total	Number of Individuals(4)	Total
			(thousands of dollars)			
Governing Council						
Chairman of Governing Council	1	$ -	$ -	$ -	1	$ -
Governing Council members	13	-	-	-	13	-
	14	-	-	-	14	-
Executive Officers						
President	1	189	23	212	1	205
Vice-Presidents						
Academic	1	154	24	178	1	171
External Relations *(formerly Student Services)*	1	127	21	148	1	144
Finance & Administration	1	117	20	137	1	142
Associate Vice-Presidents						
Academic *(vacant for 4 months)*	1	80	15	95	-	-
Research	1	113	23	136	1	79
	6	780	126	906	5	741
Academic/Professional/Management(3)	298	17,607	3,232	20,839	264	17,759
Tutors and Academic Coaches(3)	249	4,554	378	4,932	243	4,479
Support(3)	311	8,860	1,678	10,538	297	9,605
	878	$ 31,801	$ 5,414	37,215	823	32,584
Increase (decrease) in staff benefit liabilities				(139)		46
Increase in administrative & flex leave accruals						
President				10		21
Vice Presidents						
Academic				36		32
External Relations *(formerly Student Services)*				7		41
Finance & Administration				24		10
Associate Vice-Presidents						
Academic				31		-
Research				-		5
Academic/Professional/Management				239		362
				$ 37,423		$ 33,101

Note 18 Salary Disclosure (continued)

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, honoraria, and any other direct cash remuneration.

(2) The employer's share of all employee benefits and contributions includes payments made on behalf of employees for vacation payouts, pension, health care, dental, vision, group life insurance, accidental death and dismemberment insurance, long and short-term disability plans, professional memberships, tuition, supplemental unemployment benefits, research and study leaves, professional development allowances (excluding approved travel related costs) and travel insurance. The accruals of administrative leave for Executive Officers and Academic Managers, and of flexible plan benefits for Managers and Excluded Professional staff, have been included as reconciling items.

(3) All non-governance staff have been grouped into categories of Academic /Professional/Management, Tutors and Academic Coaches, and Support.

(4) The number of individuals represents a head count of staff members.

Note 19 Comparative Figures

Certain 2002 figures have been reclassified to conform to the presentation adopted in the 2003 financial statements.

UNIVERSITY OF ALBERTA
Financial Statements

For the year ended March 31, 2003

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Revenue and Expense and Changes in Unrestricted Net Assets Deficiency
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors
of The University of Alberta

I have audited the statement of financial position of The University of Alberta as at March 31, 2003 and the statements of revenue and expense and changes in unrestricted net assets (deficiency), changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
May 27, 2003

STATEMENT OF FINANCIAL POSITION

UNIVERSITY OF ALBERTA

AT MARCH 31, 2003
(in thousands of dollars)

	2003	Restated (Note 3) 2002
ASSETS		
Current Assets		
Cash and short-term investments	$ 152,131	$ 148,450
Accounts receivable and accrued interest	122,985	102.160
Other assets	11,142	10,729
	286,258	261,339
Investments (Note 4)	579,426	645,309
Capital assets and collections (Note 7)	943,079	866,770
	$ 1,808,763	$ 1,773,418
LIABILITIES AND NET ASSETS		
Current Liabilities		
Outstanding cheques	$ 16,358	$ 15,100
Accounts payable and accrued liabilities	88,185	59,753
Current portion of employee benefit liabilities (Note 8)	39,495	38,062
Current portion of long-term debt (Note 9)	2,499	4,628
Deferred contributions, research and other (Note 10)	159,623	134,182
Deferred revenue	15,124	14,556
	321,284	266,281
Employee benefit liabilities (Note 8)	50,843	48,519
Long-term debt (Note 9)	72,163	48,786
Deferred contributions, research and other (Note 10)	75,000	60,000
Deferred contributions, capital (Note 10)	2,592	15,352
Unamortized deferred capital contributions (Note 11)	576,167	540,937
	1,098,049	979,875
Net Assets		
Endowments (Note 12)	459,441	531,321
Investment in capital assets and collections (Note 13)	296,737	270,006
Unrestricted net assets (deficiency)	(45,464)	(7,784)
	710,714	793,543
	$ 1,808,763	$ 1,773,418

Signed on behalf of the Board of Governors

Chairman of the Board

President

---------*The accompanying notes are part of these financial statements.*----------

STATEMENT OF REVENUE AND EXPENSE
AND CHANGES IN UNRESTRICTED NET ASSETS (DEFICIENCY)

UNIVERSITY OF ALBERTA

FOR THE YEAR ENDED MARCH 31, 2003
(in thousands of dollars)

	2003	Restated (Note 3) 2002
REVENUE		
Provincial government (Note 17)	$ 375,325	$ 344,454
Other government sources	90,872	87,923
Credit course tuition and related fees	138,617	125,761
Grants	27,884	30,826
Investment income (loss) (Note 5)	(8,171)	37,331
Donations (Note 6)	15,304	15,697
Royalty income	1,249	2,000
Sales of goods and services	140,232	130,915
	781,312	774,907
Amortization of deferred capital contributions (Note 11)	44,421	42,243
	825,733	817,150
EXPENSE		
Salaries	450,701	413,498
Employee benefits	79,274	69,979
Materials, supplies and services	153,421	136,433
Maintenance and utilities	52,793	45,965
Scholarships and bursaries	51,914	46,748
Interest	6,225	6,080
Amortization of capital assets	68,726	66,639
	863,054	785,342
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	(37,321)	31,808
TRANSFERS FROM (TO) ENDOWMENT NET ASSETS (Note 12)	25,715	(601)
NET INVESTMENT IN CAPITAL ASSETS (Note 13)	(26,074)	(16,537)
Change in unrestricted net assets (deficiency) for the year	(37,680)	14,670
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	(7,784)	(22,454)
UNRESTRICTED NET ASSETS (DEFICIENCY), END OF YEAR	$ (45,464)	$ (7,784)

---------- *The accompanying notes are part of these financial statements.* ----------

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2003
(in thousands of dollars)

	Endowments			Investment in Capital Assets and Collections	Unrestricted Net Assets (Deficiency)
	Externally Restricted	Internally Restricted	Total		
NET ASSETS, March 31, 2001 as previously reported	$ 417,652	$ 44,992	$ 462,644	$ 250,086	$ (37,878)
Change in accounting policy (Note 3)	46,348	-	46,348	-	7,520
Adjustments to prior period (Note 3)	-	-	-	2,642	7,904
NET ASSETS, March 31, 2001 as restated	$ 464,000	$ 44,992	$ 508,992	$ 252,728	$ (22,454)
Excess of revenue over expense	-	-	-	-	31,808
Capitalization of investment income (Note 5)	7,844	-	7,844	-	-
Gifts of endowment principal (Note 6)	13,884	-	13,884	-	-
Transfers (Note 12)	1,230	(629)	601	-	(601)
Net investment in capital assets (Note 13)	-	-	-	16,537	(16,537)
Contributions of assets not subject to amortization (Note 13)	-	-	-	741	-
NET ASSETS, March 31, 2002	$ 486,958	$ 44,363	$ 531,321	$ 270,006	$ (7,784)
Deficiency of revenue over expense	-	-	-	-	(37,321)
Investment loss (Note 5)	(61,282)	-	(61,282)	-	-
Gifts of endowment principal (Note 6)	15,117	-	15,117	-	-
Transfers (Note 12)	(24,404)	(1,311)	(25,715)	-	25,715
Net investment in capital assets (Note 13)	-	-	-	26,074	(26,074)
Contributions of assets not subject to amortization (Note 13)	-	-	-	657	-
NET ASSETS, March 31, 2003	$ 416,389	$ 43,052	$ 459,441	$ 296,737	$ (45,464)

----------The accompanying notes are part of these financial statements-.---------

STATEMENT OF CASH FLOWS

UNIVERSITY OF ALBERTA

FOR THE YEAR ENDED MARCH 31, 2003
(in thousands of dollars)

	2003	Restated (Note 3) 2002
CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Cash received from provincial government	$ 385,280	$ 351,279
Cash received from other government sources	103,049	72,474
Cash received from credit course tuition and related fees	135,023	126,515
Cash received from grants and donations	45,519	45,195
Investment and royalty income received for operating purposes	36,552	41,477
Cash received from sales of goods and services	136,183	129,477
Cash paid for salaries and employee benefits	(507,248)	(480,188)
Cash paid for materials, supplies and services	(146,567)	(137,213)
Cash paid for maintenance and utilities	(50,902)	(45,965)
Cash paid for scholarships and bursaries	(50,055)	(46,748)
Interest paid	(6,003)	(6,257)
	80,831	50,046
CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of capital assets and collections		
Internally funded	(49,458)	(39,371)
Externally funded - contributions	(76,920)	(109,131)
Externally funded - long term debt	(16,801)	(3,249)
Proceeds on disposal of capital assets and collections	211	312
Purchases of investments, net	(38,696)	(65,325)
	(181,664)	(216,764)
CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES		
Contributions restricted to endowments	15,117	27,902
Long-term debt - new financing	25,876	-
Long-term debt - repayments	(4,628)	(4,149)
Capital contributions	66,891	120,945
	103,256	144,698
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,423	(22,020)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	133,350	155,370
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 135,773	$ 133,350
Cash and cash equivalents consists of:		
Cash and short-term investments	$ 152,131	$ 148,450
Outstanding cheques	(16,358)	(15,100)
	$ 135,773	$ 133,350

---------*The accompanying notes are part of these financial statements.*----------

1. **Authority and Purpose**

The corporation "The Governors of the University of Alberta" (the University) operates under the authority of the Universities Act, Chapter U-3, Revised Statutes of Alberta, 2000. The mission of the University includes post secondary and graduate education, research, and public service. The University is a registered charity, and is exempt, under Section 149 of the Income Tax Act, from the payment of income tax.

2. **Significant Accounting Policies**

a. General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates have been made using judgments determined by the University's administration. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

b. Interest in Joint Ventures

These financial statements include the University's interest in joint ventures using the proportionate consolidation method. Tri-Universities Meson Facility (TRIUMF) (20% interest) is a joint venture, amongst the University and four other universities, and was established to operate a facility for research in sub-atomic physics. The Northern Alberta Clinical Trials and Research Centre (50% interest) is a joint venture between the University and the Capital Health Authority (CHA) to support the shared missions of the CHA and the University relative to collaborative clinical research.

c. Investments

Short-term investments are comprised primarily of certificates of deposit, guaranteed investment certificates, government treasury bills and commercial paper with a maximum maturity of one year. These investments are recorded at the lower of cost or market value. Market value generally approximates cost given the short term to maturity and high credit quality of the underlying investments.

Long-term investments are recorded in the accounts at market value, except for common shares subject to restrictions and real estate. Market value for marketable securities is determined based on quoted market values for publicly traded bonds and equities and a market based net asset unit value for pooled bonds and equity funds. Market value for mortgages is calculated as the present value of future expected payments using a discount rate for similar financial instruments of comparable risk and duration. Changes in market values from one period to the next are included in investment income (loss) for the period (Note 5).

Common shares subject to restrictions and real estate are recorded at cost. When a loss in value of such investments occurs that is other than temporary, the investment is written down to recognize the loss. The common shares subject to restrictions were received as compensation for licensing University technology, are currently in escrow, and once released are subject to further restrictions on their liquidity.

d. Capital Assets and Collections

All capital assets and collection items are recorded at cost as acquired. Gifts in kind of capital assets and collection items are capitalized at fair market value, as determined by expert appraisal. Amortization of capital assets is recorded on a straight line basis over the assets' estimated useful lives. Estimated useful lives range from 10 to 40 years for buildings and utilities, from 3 to 25 years for equipment and furnishings, and 10 years for that portion of library materials which are not part of the University's permanent collections.

Collections are not amortized and include that portion of library assets considered to have permanent value, museum specimens, archival materials, maps, and works of art.

2. Significant Accounting Policies (continued)

e. Revenue Recognition

Unrestricted contributions are recognized as revenue when received, or when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue as earned. Pledges are recognized as revenue when collection is reasonably assured.

Revenues received for the provision of goods or services are recognized in the period in which the goods are provided or the services rendered or substantially rendered. Tuition fees are recognized as revenue when the related instruction is delivered.

Restricted contributions are recognized as revenue in accordance with the deferral method, as summarized below:

> Contributions, including investment income, restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the conditions of the contribution are met. Contributions restricted to the acquisition of capital assets having limited life are initially recorded as deferred contributions in the period in which they are received and, when expended, are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.
>
> Endowment contributions, including realized capital gains on endowment investments and that portion of investment earnings, which, in accordance with agreements with benefactors or the authority provided by Section 17(1)(m) of the Universities Act, are allocable to endowment principal, are recognized as direct increases in net assets. Contributions restricted to the acquisition of non-consumable capital assets are initially recorded as deferred contributions in the period in which they are received and, when expended, are recognized as direct increases in net assets.

f. Employee Future Benefits

The University participates with other employers in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees based on years of service and earnings. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the respective pension plan.

The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's long-term disability leave plans is charged to expense in full when the event occurs which obligates the University to provide the benefits. The cost of these benefits is actuarially determined using the accumulated benefit method, a market interest rate and management's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains or losses on the accrued benefit obligation are amortized over the average expected period the benefits will be paid.

The cost of providing accumulating post employment benefits under the University's early retirement benefit plans is charged to expense over the period of service provided by the employee. The cost of these benefits is actuarially determined using the projected benefit method pro rated on services, a market interest rate and management's best estimate of expected health care, dental care, life insurance costs and the period of benefit coverage. The excess of net actuarial gains or losses over 10% of the benefit obligation is amortized over the average remaining service period of active employees expected to receive benefits under the plans.

g. Contributed Services

Volunteers as well as members of the staff of the University contribute an indeterminable number of hours per year to assist the institution in carrying out its mission. Such contributed services are not recognized in the financial statements.

h. Fair Value of Financial Instruments and Cash Equivalents

The carrying values of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed. Cash and cash equivalents consist of cash, short-term investments and outstanding cheques.

3. Change in Accounting Policy and Prior Period Adjustment

a. Change in Accounting Policy - Valuation of Investments

Prior to the current fiscal year, long-term investments were recorded at cost. During the current year, the University changed its accounting policy and now records long-term investments at market value, except for common shares subject to restrictions and real estate. Changes in market values from one period to the next are included in investment income (loss) for the period. Such investment income is included in revenue in accordance with the University's revenue recognition policies (Note 2e). This change has been applied retroactively and the financial statements of prior years have been restated as summarized in the following table. The effect of the change in accounting policy on the 2003 year is to increase investment losses included in the Statement of Revenue and Expense by $43,034, decrease externally restricted endowment net assets as at March 31, 2003 by $80,495, and decrease long-term investments as at March 31, 2003 by $56,977.

b. Prior Period Adjustment - Deferred Contributions, Research and Other

In prior years, grant funding received for Province of Alberta Access programs was not recorded as revenue in the period in which the conditions of the grants were met. The revenue was recorded as the expenses were incurred rather than being recorded when the conditions were met. This correction has been made retroactively with restatement of prior years' amounts. The effect of the correction to the 2002 financial statements is presented in the following table.

3. Change in Accounting Policy and Prior Period Adjustment (continued)

	2002			
	As Previously Reported	Change in Accounting Policy	Prior Period Adjustment	As Restated
Statement of Financial Position				
Increase (decrease) in:				
Investments	$ 597,707	$ 47,602	$ -	$ 645,309
Deferred contributions, research and other	145,817	-	(11,635)	134,182
Deferred contributions, capital	12,175	-	3,177	15,352
Unamortized deferred capital contributions	544,754	-	(3,817)	540,937
Investment in capital assets and collections	266,189	-	3,817	270,006
Unrestricted net assets deficiency	(23,670)	7,428	8,458	(7,784)
Externally restricted endowment net assets	446,784	40,174	-	486,958
Statement of Revenue and Expense				
Increase (decrease) in:				
Revenue	815,513	(92)	1,729	817,150
Expense	785,342	-	-	785,342
Excess of revenue over expense	30,171	(92)	1,729	31,808
Statement of Cash Flows				
Increase (decrease) in:				
Cash provided from operating activities	48,734	-	1,312	50,046
Cash provided from financing activities - capital contributions	122,257	-	(1,312)	120,945

The cumulative effect of the restatement to the University's net assets as at March 31, 2001 is presented below:

	2001			
	As Previously Reported	Change in Accounting Policy	Prior Period Adjustment	As Restated
Statement of Financial Position				
Increase (decrease) in:				
Investment in capital assets and collections	$ 250,086	$ -	$ 2,642	$ 252,728
Unrestricted net assets deficiency	(37,878)	7,520	7,904	(22,454)
Externally restricted endowment net assets	417,652	46,348	-	464,000

4. Investments

The Board of Governors approved the University's investment policy on May 3, 2002, creating three portfolios for investments:

The University's short-term portfolio is invested in highly secure money market instruments with a minimum credit rating of "R-1 low" and a maximum maturity of 1 year. No single position, other than federal or provincial issued instruments, can exceed 10% of the portfolio. The primary objective of the short-term portfolio is liquidity and security of capital.

The University's mid-term portfolio is invested in highly secure Canadian traded and denominated bonds and debentures with a minimum credit rating of "A" and a maximum duration of 5 years. No single corporate or municipal government position can exceed 5% of the portfolio. No single provincial government position can exceed 10% of the portfolio. The primary objective of the mid-term portfolio is enhanced yield and security of capital.

The University's long-term portfolio includes endowment assets as well as the portion of non-endowment assets that will not be required for expenditure purposes in the next 5 years. The primary objective of this portfolio is to achieve a long-term rate of return that in real terms exceeds the endowment spending rate, currently 5.75%, and to do so at an acceptable level of risk. During the current fiscal year the new investment policy was being implemented and this process is expected to be completed in the next fiscal year. The fixed income category of the portfolio shall be a minimum of 20% (formerly 35%) and a maximum of 40% (formerly 45%). The equity category of the portfolio shall be a minimum of 60% (formerly 55%) and a maximum of 80% (formerly 65%). The equity category includes Canadian equities which shall be a minimum of 10% (formerly 25%) and a maximum of 20% (formerly 35%) of the total portfolio. The minimum credit rating for bonds and debentures in active management strategies is "BBB" with a maximum aggregate exposure to "BBB" rated securities of 10% of the fixed income portion of the portfolio. No single corporate or municipal government position can exceed 5% of the fixed income portion of the portfolio. No single provincial government position can exceed 10% of the fixed income portion of the portfolio. No single equity holding can exceed 10% of either the Canadian or foreign equity portions of the portfolio.

The carrying value of investments are as follows:

	2003	Restated 2002
Money market investments	$ 27,365	$ 22,393
Marketable securities:		
Government bonds	57,049	41,178
Corporate bonds	41,064	46,913
Pooled bond funds	154,405	142,987
Pooled equity funds	127,789	181,502
Common shares	164,498	202,736
	544,805	615,316
Other		
Common shares subject to restrictions	4,098	4,152
Mortgages	2,172	2,345
Real estate	986	1,103
	7,256	7,600
Total	$ 579,426	$ 645,309

Investments are comprised of endowment and non-endowed funds. Endowment investments, including cash and short-term investments, are recorded at market value of $456,809 (2002 - $528,262).

As at March 31, 2003 the term to maturity and the effective yields per annum for money market investments and marketable securities are as follows:

Money market investments have an average effective yield of 3.17% (2002 - 2.46%) with a term to maturity of less than 1 year.

Pooled bond funds have an average effective yield of 4.60% (2002 - 4.63%) and a weighted average term to maturity of 11.3 years.

Government bond funds have an average effective yield of 4.67% (2002 - 5.39%) and terms to maturity ranging from under 1 year to over 10 years.

Corporate bond funds have an average effective yield of 5.97% (2002 - 6.49%) and terms to maturity ranging from under 1 year to over 10 years.

5. Investment Income (Loss)

	2003	Restated 2002
Income (loss) on investments held for endowment		
Externally restricted	$ (61,282)	$ 34,916
Internally restricted	(8,365)	4,345
	(69,647)	39,261
Income on other investments	194	12,117
Total investment income (loss) for the period	(69,453)	51,378
Amounts deferred in period	-	(6,203)
Income capitalized to endowment principal (Note 12)	-	(7,844)
Loss charged to externally restricted cumulative capitalized endowment earnings (Note 12)	61,282	-
Total investment income (loss) recognized as revenue	$ (8,171)	$ 37,331

6. Donations

	2003	2002
Donations included in statement of revenue and expense	$ 15,304	$ 15,697
Gifts included in externally restricted endowment principal	15,117	13,884
Total donations	$ 30,421	$ 29,581

7. Capital Assets and Collections

	2003			2002		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Buildings and utilities	$ 1,087,307	$ 499,342	$ 587,965	$ 1,017,357	$ 474,894	$ 542,463
Equipment and furnishings	576,091	372,067	204,024	533,881	350,462	183,419
Library materials	99,110	70,702	28,408	90,688	65,258	25,430
Capital assets with limited life	1,762,508	942,111	820,397	1,641,926	890,614	751,312
Land	10,624	-	10,624	10,624	-	10,624
Capital assets	1,773,132	942,111	831,021	1,652,550	$ 890,614	761,936
Collections - Library	94,234		94,234	87,349		87,349
- Other	17,824		17,824	17,485		17,485
Collections	112,058		112,058	104,834		104,834
Capital assets and collections	$ 1,885,190		$ 943,079	$ 1,757,384		$ 866,770

Included in buildings and utilities is $33,845 (2002 – $8,603) recorded as work in progress, which is not subject to amortization as the assets are not yet available for use.

8. Employee Benefit Liabilities

	Academic Staff	Support Staff	Total 2003	Total 2002
Vacation pay	$ 15,466	$ 17,375	$ 32,841	$ 31,113
Long-term disability leave plans	11,008	23,118	34,126	33,341
Early retirement benefit plans	10,553	12,818	23,371	22,127
	37,027	53,311	90,338	86,581
Less current portion	18,143	21,352	39,495	38,062
	$ 18,884	$ 31,959	$ 50,843	$ 48,519

The University's defined benefit plans provide post-employment benefits to most of its employees, and include long-term disability leave plans, early retirement benefit plans and pension plans. The University's defined benefit plans, other than the pension plans, are unfunded.

(a) Defined benefit plans

	2003		2002	
	Long-term Disability	Early Retirement	Long-term Disability	Early Retirement
Accrued benefit obligation:				
Balance, beginning of year	$ 21,415	$ 24,915	$ 18,713	$ 20,916
Current service cost	3,917	1,267	3,830	1,220
Interest cost	1,592	1,706	1,412	1,433
Benefits paid	(3,506)	(1,807)	(3,240)	(1,814)
Actuarial (gain) / loss	(1,564)	214	700	3,160
Balance, end of year	21,854	26,295	21,415	24,915
Plan assets	-	-	-	-
Funded status – plan deficit	21,854	26,295	21,415	24,915
Unamortized net actuarial gain / (loss)	12,272	(2,924)	11,926	(2,788)
Accrued benefit liability	$ 34,126	$ 23,371	$ 33,341	$ 22,127

8. Employee Benefit Liabilities (continued)

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

	Long-term Disability	Early Retirement
Discount rate	6.25%	6.25%
Rate of compensation increase:		
Academic Staff:		
Year 1, year 2, thereafter	n/a	4.35%, 5.35%, 4.00%
Support Staff	n/a	4.00%
Annual inflation rates:		
Dental costs	n/a	3.00%
Supplemental health care costs	n/a	6.25%
Alberta health care costs	n/a	3.00%
Existing claims and pension contributions:		
Academic Staff:		
Year 1, year 2, thereafter	4.35%, 5.35%, 4.00%	n/a
Support Staff	4.00%	n/a
Benefit costs	5.00%	n/a

Subsequent to the year end, the University entered into a benefits containment target agreement with the Association of Academic Staff. Included in this agreement is the termination of the bridge benefit plan for academic staff members, which is one of the programs within the early retirement benefit plans. Current participants will continue to receive benefits, however eligibility for future participation will cease by July 2004.

(b) Pension benefit plans

The University participates with other employers in the Universities Academic Pension Plan (UAPP) and the Public Service Pension Plan (PSPP). These pension plans are multi-employer defined benefit plans. The pension expense recorded in these financial statements is equivalent to the University's actuarially determined contributions of $21,620 (UAPP - $14,700; PSPP - $6,920) for the year ended March 31, 2003 (2002 - $19,509 (UAPP - $13,258; PSPP - $6,251)).

The UAPP is a contributory defined benefit pension plan for academic staff members and other eligible employees of the Universities of Alberta, Calgary and Lethbridge, Athabasca University and The Banff Centre. At December 31, 2002, the UAPP reported an actuarial deficiency of $327,372 (2001 - $151,996) consisting of a pre-1992 deficiency ($318,193) and a post 1991-deficiency ($9,179). An actuarial valuation of the UAPP was carried out as at December 31, 2000 which was then extrapolated to December 31, 2002. The extrapolation did not include the impact of increases in the maximum pensionable salary amount proposed in the 2003 Federal Budget. The next actuarial valuation of the UAPP is required to be completed by December 31, 2003.

The unfunded liability for service prior to January 1, 1992 is being financed by additional contributions from the Province of Alberta, employers and employees. Contribution rates are set on the basis that the additional contributions will eliminate the unfunded liability on or before December 31, 2043. The rate for the additional contributions to eliminate the unfunded liability for each of employer and employee at December 31, 2002 is 0.07% (2001 - 0.07%) of pensionable salary and the rate for the Province of Alberta is 1.25% (2001 - 1.25%) of pensionable salary. The actuarial valuation shows the present value at December 31, 2000 of the Province of Alberta's obligation for future contributions was approximately $144,000. Additional contributions made by the University amounted to $147 (2002 - $374), which are included in pension expense for the year.

9. Long-term Debt

	Collateral	Maturity Date	Interest Rate %	Amount Outstanding 2003	Amount Outstanding 2002
Mortgages payable to CMHC*:					
Lister Residences	Title to land, building	July 2014	5.125	$ 1,565	$ 1,665
Michener Park Phase I	Title to land, building	April 2018	5.875	2,774	2,886
MacKenzie Hall	Title to land, building	November 2018	6.250	1,459	1,513
Debentures payable, Province of Alberta:					
Extension Centre - AMFC*	None	October 2002	7.875	-	137
Housing Union Building	None	June 2008	5.387	2,017	2,342
South Field Car Park - AMFC	None	November 2014	10.250	1,512	1,575
Extension Centre - AMFC	None	October 2017	8.750	6,970	7,192
Steam Turbine Generator - AMFC	Equipment, cash flows	May 2020	6.250	16,027	16,504
Newton Place - AMFC	Title to land, building	August 2024	6.000	15,048	15,375
Newton Place Renovation - AMFC	Title to land, building	August 2024	6.000	2,602	-
Lister Residence II - AMFC	Title to land, building	November 2027	5.875	23,000	-
Bank loans payable:					
Newton Place Renovation	None	February 2003	6.210	-	2,602
East Campus Housing	Title to land, building	August 2008	6.900	1,414	1,623
Obligations under capital leases				274	-
				74,662	53,414
Less current portion				2,499	4,628
				$ 72,163	$ 48,786

**Canada Mortgage and Housing Corporation (CMHC)*
**Alberta Municipal Financing Corporation (AMFC)*

The principal portion of long-term debt repayments required over the next five years are as follows:

	Total
2004	$ 2,499
2005	$ 2,795
2006	$ 2,829
2007	$ 3,011
2008	$ 3,205

The estimated fair value for mortgages, debentures and loans payable as at March 31, 2003 is $76,162 (2002 - $53,656).

10. Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2003			Restated 2002
	Capital	Research and Other	Total	Total
Balance, beginning of the year	$ 15,352	$ 194,182	$ 209,534	$ 179,329
Grants and donations received	31,006	294,890	325,896	378,170
Recognized as revenue	-	(218,564)	(218,564)	(237,523)
Transferred to unamortized deferred capital contributions	(43,766)	(35,885)	(79,651)	(110,442)
Balance, end of the year	2,592	234,623	237,215	209,534
Less current portion	-	159,623	159,623	134,182
	$ 2,592	$ 75,000	$ 77,592	$ 75,352

Included in Research and Other deferred contributions are grants and donations received of $35,885 (2002 - $50,061) applied to the purchase of capital assets.

11. Unamortized Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of revenue and expense. The changes in the deferred capital contributions balance are as follows:

	2003	Restated 2002
Balance, beginning of the year	$ 540,937	$ 472,738
Additions from deferred contributions	79,651	110,442
Amortization to revenue	(44,421)	(42,243)
Balance, end of the year	$ 576,167	$ 540,937

12. Endowments

Endowments consist of restricted donations to the University, the principal of which is required to be maintained intact in perpetuity (externally restricted), as well as internal allocations by the Board of Governors (internally restricted).

The investment income earned on internally restricted endowments is used to fund the Henry Marshall Tory Chairs, research and other activities of importance to the University as directed by Board of Governors' resolutions. The internally restricted endowments were created through the proceeds received in prior years from the sale of University land and from other sources. The purpose of the internally restricted endowments is not to be changed without approval of the Board of Governors.

The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University policy stipulate that the economic value of the externally restricted endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income. Under Section 17(1)(m) of the Universities Act, the University has the authority to alter the terms and conditions of externally restricted endowments to enable income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.

In any particular year, should investment income earned on endowments be insufficient to fund the spending allocation, the spending allocation is funded from the cumulative capitalized earnings. However, for individual endowment funds without sufficient cumulative capitalized earnings, endowment capital is used in the current year. This amount is expected to be recovered by future investment income.

	2003			2002		Restated
	Externally Restricted	Internally Restricted	Total	Externally Restricted	Internally Restricted	Total
Cumulative contributions	$ 235,258	$ 19,250	$ 254,508	$ 220,141	$ 19,250	$ 239,391
Cumulative capitalized earnings	181,131	23,802	$ 204,933	266,817	25,113	291,930
	$ 416,389	$ 43,052	$ 459,441	$ 486,958	$ 44,363	$ 531,321

During the 2003 year, cumulative capitalized earnings of $85,686 were required to cover the investment loss on externally restricted endowments of $61,282 and the $24,404 approved endowment spending allocation. During the 2002 year, the University capitalized $7,844 of earnings related to externally restricted endowments.

The Board of Governors approved a transfer of $247 (2002 - $1,479) of internally restricted endowment net assets to the unrestricted net assets deficiency. This is the third and final of three annual transfers from the Endowment Fund for the Future (EFF) to allocate resources to assist in funding the cost of the University's fund raising campaign. The University also approved a transfer of $1,064 of internally restricted endowment net assets to cover the approved spending allocation for these endowments. No transfer was required in 2002 as the income earned by these endowments was sufficient to cover the approved spending allocation.

During the 2002 year, the University approved a transfer of $850 from unrestricted net assets to internally restricted endowments for additional Henry Marshall Tory Chair appointments and transferred $1,230 from unrestricted net assets to externally restricted endowment assets.

13. Investment in Capital Assets and Collections

Net assets invested in capital assets and collections represents the carrying amount of capital assets and collections less unamortized deferred capital contributions and any related debt, including internal loans held by endowments net of internal deferred financing charges relating to such loans.

	2003	Restated 2002
Capital assets and collections at net book value	$ 943,079	$ 866,770
Less amounts financed by:		
Unamortized deferred capital contributions	(576,167)	(540,937)
Long-term debt related to capital expenditures	(67,543)	(52,768)
Internal car park loans held by endowments, net of deferred finance charges	(2,632)	(3,059)
Investment in capital assets and collections, end of year	$ 296,737	$ 270,006

	2003	Restated 2002
The changes during the year are as follows:		
Investment in capital assets and collections, beginning of year	$ 270,006	$ 252,728
Acquisition of capital assets and collections	66,301	44,305
Repayment of long-term debt	2,454	2,365
Long-term debt, new financing	(16,801)	(3,249)
Net book value of asset disposals	(1,575)	(2,488)
Amortization of capital assets	(24,305)	(24,396)
Net investment in capital assets	26,074	16,537
Contributions of assets not subject to amortization	657	741
Increase for the year	26,731	17,278
Investment in capital assets and collections, end of year	$ 296,737	$ 270,006

14. Budget Comparison

A Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires universities to disclose their annual approved budgets in their financial statements. The following is a comparison of the approved budget with actual revenues and expenses.

	Actual	Budget	Variance
Revenue:			
Government sources	$ 466,197	$ 449,354	$ 16,843
Credit course tuition and related fees	138,617	131,112	7,505
Grants, donations, investment and royalty income	36,266	87,467	(51,201)
Sales of goods and services	140,232	112,530	27,702
	781,312	780,463	849
Amortization of deferred capital contributions	44,421	46,931	(2,510)
	825,733	827,394	(1,661)
Expense:			
Salaries	450,701	432,192	(18,509)
Employee benefits	79,274	72,079	(7,195)
Materials, supplies, services and other expenses	264,353	250,189	(14,164)
Amortization of capital assets	68,726	75,644	6,918
	863,054	830,104	(32,950)
Deficiency of revenue over expense	$ (37,321)	$ (2,710)	$ (34,611)

15. Salary Disclosure

A Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires the disclosure of certain salary and employee benefit information.

	2003			2002
	Salary	Benefits and Allowances	Total	Total
President	$ 336	$ 33	$ 369	$ 340
Vice-Presidents:				
Provost and Vice-President Academic	257	16	273	259
Vice-President Research	206	16	222	188
Vice-President Finance and Administration	246	19	265	247
Vice-President External Relations	201	16	217	197
Vice-President Facilities and Operations	205	10	215	125

The Chair and members of the Board of Governors, the Chancellor and members of the Senate, and external members of the Board's standing committees receive no remuneration for the services that they provide to the University.

Salary includes base salary, salary supplements and honoraria. Benefits include Employment Insurance, Canada Pension Plan and Workers Compensation Board premiums, pension plan contributions, Alberta Health Care, group life insurance, supplementary health care, short and long-term disability plans, dental plan, accidental disability and dismemberment, and remission of tuition fees. Benefits for the President include a car allowance and other benefits.

In recognition that the University uses his home for various University functions, the University reimburses the President for 54% of certain costs for the general operation of his home and compensates him for that use and for wear and tear on furnishings and contents, all determined in accordance with a contractual arrangement entered into by the President and the University. These payments are not included in the benefits and allowances as reported above.

The Facilities and Operations portfolio was filled on January 1, 2003 and included in the salary is a one-time salary supplement of $145.

16. Contingent Liabilities and Commitments

The University is a defendant in a number of legal proceedings. Claims against the University in these proceedings have not been reflected in these financial statements. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University.

Academic staff members are entitled to a Professional Expense Allowance, enabling them to incur expenditures on behalf of the institution for expenses related to their teaching, research, professional, or general University duties. At March 31, 2003 approximately $4,345 (2002- $3,410) of such allowances is committed for expenses not yet incurred.

The University is one of fifty members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability, and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2002 CURIE had a surplus of $4,072 (2001 - $7,226) of which the University's pro rata share is approximately 2.92% (2001 - 4.71%) on an ongoing basis.

At March 31, 2003 the University has contractual commitments for approved major capital projects. Commitments for capital projects greater than $1 million total $101,695 (2002 - $24,000) and will be payable in subsequent years.

In 2001 the University entered into a five-year agreement for information technology support with an external party. The cost of $23,689 over the remaining three-year period provides for manager application support and manager development services for the University's administrative information systems.

17. Related Party Transactions

The University operates under the authority and statutes of the Province of Alberta. Transactions between the University and the Province of Alberta are summarized below.

	2003	Restated 2002
Alberta Learning:		
Base operating grant	$ 252,868	$ 245,148
Access grants	19,918	18,016
Performance envelope award	-	2,675
Other	30,099	22,267
Total Alberta Learning	302,885	288,106
Other provincial ministeries, departments, and agencies:		
Alberta Heritage Foundation for Medical Research	26,377	23,734
Alberta Ingenuity Fund	3,905	177
Alberta Innovation and Science	27,374	11,338
Alberta Infrastructure	24,577	51,607
Other	30,158	18,929
Total other provincial ministries, departments, and agencies	112,391	105,785
Total contributions received	415,276	393,891
Less: deferred contributions	(39,951)	(49,437)
Revenue from provincial government	$ 375,325	$ 344,454

18. Comparative Figures

Certain 2002 figures have been reclassified to conform to the presentation adopted in the 2003 financial statements.

UNIVERSITY OF CALGARY
Financial Statements

For the year ended March 31, 2003

Auditor's Report

Financial Statements:

- Consolidated Statement of Financial Position
- Consolidated Statement of Revenue and Expense and Unrestricted Net Assets
- Consolidated Statement of Changes in Net Assets
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of
The University of Calgary

I have audited the consolidated statement of financial position of the University of Calgary as at March 31, 2003 and the consolidated statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
June 13, 2003

UNIVERSITY OF
CALGARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2003
(thousands of dollars)

ASSETS

	2003	2002 (as restated, note 18)
CURRENT ASSETS		
Cash and cash equivalents (note 3)	$ 87,467	$ 54,229
Investments (note 3)	88,253	92,609
Accounts receivable	49,252	56,912
Inventories	5,238	5,387
Prepaid expenses	3,371	2,794
	233,581	211,931
LONG-TERM INVESTMENTS (note 4)	254,867	314,613
CAPITAL ASSETS AND COLLECTIONS (note 5)	600,951	563,513
	$ 1,089,399	$ 1,090,057

LIABILITIES AND NET ASSETS

	2003	2002 (as restated, note 18)
CURRENT LIABILITIES		
Accounts payable	$ 63,075	$ 54,415
Deferred revenue	14,398	14,307
Deferred contributions, research and other (note 6)	138,040	148,253
Current portion of long-term liabilities (note 8)	3,497	2,960
	219,010	219,935
DEFERRED CAPITAL CONTRIBUTIONS (note 6)	38,392	9,058
LONG-TERM LIABILITIES (note 8 and note 9)	59,710	27,491
UNAMORTIZED DEFERRED CAPITAL CONTRIBUTIONS (note 7)	361,385	368,000
NET ASSETS		
Restricted for endowment purposes (note 10)	217,696	256,882
Investment in capital assets and collections	185,761	168,014
Internally restricted (note 11)	7,445	33,568
Unrestricted	-	7,109
	410,902	465,573
	$ 1,089,399	$ 1,090,057

Commitments and contingencies (Note 16)

Signed on behalf of the Board of Governors:

Member of the Board

Peter Valentine

Interim Vice-President (Finance and Services)

The accompanying notes are part of these financial statements.

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE FOR THE YEAR ENDED MARCH 31, 2003
(thousands of dollars)

	2003	2002 (as restated, note 18)
REVENUE		
Government of Alberta grants (note 17)	$ 252,498	$ 240,415
Other government grants	67,279	61,012
Donations and other grants	45,737	54,702
Credit tuition and related fees	102,915	91,906
Non-credit tuition and related fees	14,240	14,992
Sales of services and products	68,650	63,597
Amortization of deferred capital contributions (note 7)	53,323	51,633
Investment (loss) income (note 12)	(18,877)	32,213
	585,765	610,470
EXPENSE		
Salaries	328,162	298,386
Benefits	45,522	41,626
Materials, supplies and services	86,352	74,999
Amortization of capital assets	70,002	65,811
Utilities	26,244	22,144
Scholarships, grants and awards	18,219	19,401
Travel	21,009	18,682
Cost of goods sold	17,863	16,882
Maintenance and repairs	12,294	14,171
Financing	3,103	2,055
Loss on disposal of capital assets	-	1,057
	628,770	575,214
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSE, for the year (note 14)	$ (43,005)	$ 35,256

The accompanying notes are part of these financial statements.

UNIVERSITY OF
CALGARY

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2003
(thousands of dollars)

	Restricted for Endowment Purposes (note 10)	Investment in Capital Assets & Collections	Internally Restricted (note 11)	Unrestricted	2003 Total	2002 Total (as restated, note 18)
NET ASSETS, beginning of year as previously reported	$ 267,125	$ 158,126	$ 35,476	$ 681	$ 461,408	$ 439,286
Adjustment to prior periods (note 18)	(10,243)	9,888	(1,908)	6,428	4,165	(17,923)
NET ASSETS, beginning of year, as restated	256,882	168,014	33,568	7,109	465,573	421,363
(Deficiency) excess of revenue over expense	-	-	-	(43,005)	(43,005)	35,256
Amortization of internally funded assets	-	(16,679)	191	16,488	-	-
Expenditure of Internally Restricted net assets	-	-	(6,247)	6,247	-	-
Purchase of capital assets	-	22,437	(1,510)	(20,927)	-	-
Repayment of long-term debt	-	2,820	-	(2,820)	-	-
Board transfers	165	-	(18,625)	18,460	-	-
Transfers for endowment expenditures	(12,226)	-	-	12,226	-	-
Unrealized investment loss on endowments	(30,706)	-	68	5,656	(24,982)	(2,592)
Realized investment (loss) income	(6,141)	-	-	769	(5,372)	6,185
Contributions for externally restricted endowments	9,519	-	-	-	9,519	5,027
Contributions for internally restricted endowments	203	-	-	(203)	-	-
Contributions - Land and Collections	-	9,169	-	-	9,169	334
NET ASSETS, end of year	$ 217,696	$ 185,761	$ 7,445	$ -	$ 410,902	$ 465,573

The accompanying notes are part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2003
(thousands of dollars)

	2003	2002 (as restated, Note 18)
CASH PROVIDED FROM (USED IN):		
OPERATING ACTIVITIES		
(Deficiency) Excess of revenue over expense	($43,005)	$ 35,256
Items not affecting cash flow:		
Amortization of capital assets	70,002	65,811
Amortization of deferred capital contributions	(53,323)	(51,633)
Loss (gain) on non-endowed investments	3,973	(21,217)
Loss (gain) on investments related to internally restricted endowments	5,723	(1,382)
Loss on disposal of capital assets	-	1,057
Net change in non-cash working capital	10,126	(23,191)
	(6,504)	4,701
INVESTING ACTIVITIES		
Purchase of capital assets, net	(107,440)	(115,640)
Contribution of land and collections	9,169	334
Proceeds on disposal of long-term investments, net	75,032	15,646
Loss on investments related to externally restricted endowments	(24,982)	(2,592)
	(48,221)	(102,252)
FINANCING ACTIVITIES		
Endowment contributions	9,519	5,027
Realized investment (loss) gain	(5,372)	6,185
Capital contributions	76,042	63,812
Increase (decrease) in long-term liabilities	32,756	(1,265)
Loss on writedown of externally restricted endowments	(24,982)	(2,592)
	87,963	71,167
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,238	(26,384)
CASH AND CASH EQUIVALENTS, beginning of year	54,229	80,613
CASH AND CASH EQUIVALENTS, end of year (note 3)	**$ 87,467**	**$ 54,229**

Net change in non-cash working capital:	2003	2002
Decrease (Increase) in Investments	**4,356**	(10,050)
Decrease (Increase) in Accounts receivable	**7,660**	(7,793)
Decrease in Inventories	**149**	77
(Increase) Decrease in Prepaid expenses	**(577)**	67
Increase (Decrease) in Accounts payable	**8,660**	(2,507)
Increase in Deferred revenue	**91**	1,982
(Decrease) Increase in Deferred contributions, research and other	**(10,213)**	(4,967)
	10,126	(23,191)

The accompanying notes are part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars)

Note 1 Authority and Purpose

The University of Calgary ("the University") operates under the authority of The Universities Act, Chapter U-3, Revised Statutes of Alberta 2000. It is a Board-governed, comprehensive research University offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The University is a registered charity and is exempt from the payment of income tax under Section 149 of the Income Tax Act. The tax exemption does not extend to its wholly-owned subsidiary, University Technologies International Inc.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) *General*

The financial statements of the University have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. The following accounting policies and reporting practices are considered significant.

(b) *Consolidated Statements*

The financial statements are prepared on a consolidated basis and include the consolidated accounts of University Technologies International Inc. (UTI), a wholly-owned subsidiary of the University, and the accounts of The Arctic Institute of North America (AINA), a non-profit organization controlled by the University. UTI is incorporated under the Canada Business Corporations Act to facilitate the transfer of intellectual property from the University to private business. AINA operates under the authority of the Act of the Federal Parliament (9-10 George VI, Chapter 45) to initiate, encourage and support northern research and to advance the study of arctic conditions and problems.

(c) *Revenue Recognition*

Operating grants are recognized as revenue, either in the period receivable, or, where a portion of the grant relates to a future period, it is deferred and recognized in the subsequent period. Unrestricted contributions are recognized as revenue when received, or when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue as earned.

Amounts received for tuition fees and sales of services and products are recognized as revenue at the time the services are substantially provided or the products are delivered. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined. Pledges are recognized as revenue when collected.

The University recognizes restricted contributions in accordance with the deferral method, as summarized below:

Contributions, including investment income, restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which related expenses are incurred.

Contributions restricted for the acquisition of capital assets are initially recorded as deferred capital contributions until the amount is invested in capital assets. Amounts representing funded capital assets are then transferred to unamortized deferred capital contributions and amortized as deferred capital contributions in the periods in which the related amortization expense of the funded capital asset is recognized.

Contributions restricted for the acquisition of non-consumable capital assets are initially recorded as deferred contributions, and when expended, are recognized as direct increases to net assets.

Endowment contributions, including capital gains on endowed investments and that portion of investment earnings, which in accordance with agreements with benefactors or the authority provided by Section 17(1)(m) of the Universities Act, are allocable to endowment principal, are recognized as direct increases to net assets.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(d) *Investments*

Short-term investments are recorded at the lower of cost or market.

Long-term investments are recorded at market value. Market value is determined based on the current market price of the underlying asset. Changes in market value from one period to the next are included in the investment income (loss) for the period (Note 12). Such investment income (loss) is included in revenue in accordance with the University's revenue recognition policies (Note 2c).

(e) *Inventories*

Inventories are valued at the lower of cost and net realizable value.

(f) *Capital Assets and Collections*

Capital assets and collections are recorded at cost as acquired. Donations of capital assets and collections in kind are capitalized at fair value when a fair value can be reasonably determined.

Buildings include construction in progress. No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

Patents are recorded at cost and include acquisition and maintenance costs. The carrying value of patents related to a project is limited to the estimated future net cash flows expected to be derived from the project. Patent cost in excess of estimated future net cash flows are written off.

Collections are not amortized and include that portion of library assets considered to have permanent value and works of art held for education and public exhibition purposes. Sales proceeds are used to acquire other items to be added to the collection.

Amortization is recorded on a straight-line basis over the estimated useful lives of the capital assets, as follows:

- Buildings	40 years
- Site improvements and utilities	20 years
- Telecommunication equipment, furnishings and library acquisitions	10 years
- Equipment	10 years, average
- Patents	10 years
- Software	3 years

(g) *Employee Future Benefits*

The University participates with other employers in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees based on years of service and earnings. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the respective pension plans. The University does not record the University's portion of the pension plans' deficit or surplus.

The University has a number of defined benefit plans providing long-term disability, early retirement incentives and pension benefits. The cost of these benefits is actuarially determined using the projected benefit method pro rated on services, a market interest rate and management's best estimate of the retirement ages of employees, expected health care costs and the terms of employee disability agreements. With respect to employees on long-term disability, actuarial gains and losses are amortized over the average expected term of the payments. With respect to the early retirement incentive plan, actuarial gains and losses are recognized immediately. With respect to the supplemental pension obligation, for each plan participant, the balance of

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

actuarial gains and losses in excess of 10% of the accrued benefit obligation is amortized over the expected service lifetime.

(h) *Credit, Interest Rate and Market Risk*

The University's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

The interest rate risk is the risk to the University's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates.

The market risk is the risk to the University's earnings that arises from the fluctuations and degree of volatility in the market value of its long term investments

(i) *Financial Instruments*

The carrying value of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

Note 3 Cash and Cash Equivalents and Investments

	2003				2002	
	Cash & Cash Equivalents (2)	Current Investments (3)	Total		Total	
			Cost	Market (1)	Cost (as restated, note 18)	Market
Money market investments	$ 86,682	$ -	$ 86,682	$ 86,682	$ 36,326	$ 36,626
Bank balances	785	-	785	785	17,903	17,903
Bonds	-	88,253	88,253	88,281	92,609	93,289
Total, 2003	$ 87,467	$ 88,253	$ 175,720	$ 175,748	$ 146,838	$ 147,818
Total, 2002	$ 54,229	$ 92,609	$ 146,838	$ 147,818		

(1) Market value approximates fair value of investments.

(2) Money market investments are purchased at a discount. These investments must be rated R-1 low or bette (rated by Dominion Bond Rating Service). At March 31, 2003 the investments held have an average effective yield of 3.41% (2002 - 2.206%) and will mature within 30 days (2002 – 42 days). The average realized return on money market investments for 2003 was 3.23% (2002 – 3.69%).

(3) Current investments consist of bonds that have a maximum allowable term of eight years and stated interest ranging from 3.724% to 10.25% (2002 – 3.7% to 10.25%). All bonds have a rating of a single "A" or better. Term to maturity of bonds is based upon contractual maturity dates. Effective yield for bonds is calculated based on carrying values at year end and is disclosed on a weighted average basis using the duration model.

Yields on current investments are as follows:

	2003		2002	
	Effective Yield	Cost	Effective Yield	Cost
Current Investments - Bond Maturity				
0-2 years to maturity	4.86%	11,656	5.81%	12,603
2-5 years to maturity	4.89%	61,008	5.31%	65,702
> 5 years to maturity	5.50%	15,589	5.87%	14,304
		$ 88,253		$ 92,609

Note 4 Long-Term Investments

	2003 (1)	2002 (1) (as restated, note 18)
Money market investments	$ 4,975	$ 283
S&P/TSX Index	66,183	103,858
Bond index	68,713	69,580
International index	40,311	68,750
S & P 500 index	41,268	69,555
Canadian shares	1,418	1,914
U.S. Shares	95	113
Investment in joint venture	123	91
Accounts receivable and prepaid expense	31,781	469
Total	$ 254,867	$ 314,613

(1) Long-term investments include equities and indexed funds.

Note 5 Capital Assets and Collections

	2003			2002		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net (as restated, note18)
Buildings and plant	$ 726,605	$ 308,311	$ 418,294	$ 671,106	$ 275,213	$ 395,893
Furnishings, equipment and systems	337,738	219,835	117,903	314,535	209,133	105,402
Library books	112,334	88,295	24,039	106,381	83,955	22,426
Land	22,827	-	22,827	14,058	-	14,058
Art collection	6,714	-	6,714	6,382	-	6,382
Rare books and archives collection	2,961	-	2,961	2,849	-	2,849
Software	29,041	21,874	7,167	27,303	11,832	15,471
Patents	2,001	955	1,046	1,850	818	1,032
	$ 1,240,221	$ 639,270	$ 600,951	$ 1,144,464	$ 580,951	$ 563,513

(a) *Summary of Capital Assets*

Included in furnishings and equipment are assets under capital leases in the amount of $1,524 (2002 - $1,277). Accumulated amortization is $ 197 (2002 – $531) on these assets.

(b) *Donated Assets*

Capital acquisitions during the year included donations-in-kind in the amount of $11,203 (2002 - $5,318).

(c) *Patents*

During the year, patents with a net book value of $ 119 (2002 - $152) were written off.

Note 6 Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balance are as follows:

	2003		2002	
	Research & Other (1)	Capital	Research & Other (1)	Capital
			(as restated, note 18)	
Contributions received during the year:				
Government of Alberta grants	$ 51,132	$ 29,077	$ 73,852	$ 5,702
Other government grants	82,087	-	70,591	-
Sales	2,796	-	1,716	-
Donations	52,817	1,995	56,128	6,877
Investment (loss) income (note 12)	8,886	88	(863)	298
	197,718	31,160	201,424	12,877
Transferred to revenue:				
Government of Alberta grants	44,601	-	42,625	-
Other government grants	66,192	-	58,889	-
Sales	3,281	-	1,716	-
Donations	36,944	-	41,041	-
Investment income (note 12)	12,964	-	12,212	-
	163,982	-	156,483	-
Net change in accounts receivable	1,148	-	1,044	-
Transferred to unamortized deferred capital contributions	(45,114)	(1,594)	(51,238)	(15,315)
Transferred to investment in capital assets	(1)	(398)	(32)	(301)
Transferred from (to) unrestricted accounts	18	166	-	-
Increase (decrease) during the year	(10,213)	29,334	(5,285)	(2,739)
Balance, beginning of year	148,253	9,058	153,538	11,797
Balance, end of year	$ 138,040	$ 38,392	$ 148,253	$ 9,058

(1) Includes capital grants restricted for research purposes.

Note 7 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2003	2002
		(as restated, note 18)
Balance, beginning of year	$ 368,000	$ 353,080
Transfer from Deferred Capital Contributions	46,708	66,553
Amortized to revenue	(53,323)	(51,633)
Balance, end of year	$ 361,385	$ 368,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(thousands of dollars)

Note 8 Long-term Liabilities

	Rate of Interest	Original Advance	Amount Outstanding 2003	Amount Outstanding 2002 (as restated, note 18)
Debenture for University Research Centre, due June 3, 2005	4.750%	$ 30,700	$ 30,700	$ -
Mortgage for University Research Centre, due April 1, 2012	-	5,500	5,042	-
Mortgage for Varsity Courts, due November 1, 2005	7.875%	3,714	720	962
Debenture for Car Park in MacEwan Student Centre, due October 1, 2006	9.750%	1,900	699	837
Debentures for Art Building, due December 15, 2006	9.75 % & 10%	11,700	4,317	5,167
Debenture for Norquay, Brewster and Castle Halls, due January 15, 2007	9.750%	3,953	1,455	1,741
Mortgage for the Dining Centre, Kananaskis and Rundle Halls, due March 1, 2016	5.125%	2,165	1,129	1,189
Debenture for Cascade Hall, due May 1, 2025	6.250%	16,500	15,901	16,210
			59,963	26,106
Due to Alberta Heritage Foundation for Medical Research			232	234
Minority interest in subsidary companies			138	246
Obligation under capital leases			918	1,395
Long-term disability plans (Note 9)			255	251
Early retirement incentive plans (Note 9)			1,299	1,944
Pension obligations (Note 9)			402	275
			63,207	30,451
Current portion			(3,497)	(2,960)
			$ 59,710	$ 27,491

The debentures are secured by land. The mortgages are secured by land and buildings. Debentures and mortgages are carried at their face value. The estimated fair value for mortgages and debentures as at March 31, 2003 is $ 62,121 (2002 - $28,450). The fair value of long-term debt is determined by discounting future cash flows using market rates representing those which the University could obtain at March 31, 2003 for loans with similar terms, conditions and maturities.

During the year, interest on long-term debt amounting to $3,103 (2002- $2,055) has been charged to expense.

Principal payments on the mortgage and debentures during the next five fiscal years are as follows: 2004 - $2,602; 2005 - $2,783; 2006 - $33,551; 2007 - $2,868 and 2008 - $1,045.

Early retirement incentive plans are payable over various periods extending up to the year 2009. Payments to be made during the next five fiscal years are: 2004 - $476; 2005 - $362; 2006 - $279; 2007 - $162 and 2008 - $58.

Future minimum lease payments under capital leases are as follows:

	2004	$ 453
	2005	501
	2006	11
Total minimum lease payments		965
Less, imputed interest at an average interest rate of 7.70%		(47)
Balance of capital lease obligation		$ 918

Note 9 Future Employee Benefits

The University has defined benefit plans that provide future employment benefits, which include long-term disability leave plans, retirement incentive programs and supplemental pension obligations.

The University has an unfunded supplementary pension plan for the President and Vice-Presidents. The approval of the Lieutenant Governor in Council was not obtained prior to setting up the plan, as required by the Universities Act. The University has informed the Ministry of Learning of the plan and options to provide legislative authority to the plan are being explored.

Information about the University's defined benefit plans is as follows:

	2003			2002		
	Long Term Disability	Early Retirement Incentive	Supplemental Pension Obligation	Long Term Disability	Early Retirement Incentive	Supplemental Pension Obligation
Development of Expense						
Current service cost	$ -	$ -	$ 78	$ -	$ -	$ 69
Interest cost	26	75	26	13	121	19
Amortization of transitional obligation	-	-	1	15	(75)	7
Amortization of net actuarial losses (gains)	29	-	-	-	36	-
Curtailment	-	-	22	-	-	1
Expense	$ 55	$ 75	$ 127	$ 28	$ 82	$ 96
Financial Status						
Plan assets	-	-	-	-	-	-
Accrued Benefit Obligation	544	1,299	439	569	1,944	322
Funded status - plan deficit	(544)	(1,299)	(439)	(569)	(1,944)	(322)
Unamortized net actuarial losses	289	-	33	318	-	21
Unamortized transitional obligation	-	-	4	-	-	26
Accrued benefit liability (note 8)	$ (255)	$ (1,299)	$ (402)	$ (251)	$ (1,944)	$ (275)
Reconciliation of Accrued Benefit Obligation						
Accrued Benefit Obligation, beginning of year	569	1,944	322	264	2,819	238
Current service cost	-	-	78	-	-	69
Interest cost	26	75	26	13	121	19
Benefits paid	(51)	(720)	-	(26)	(1,033)	-
Actuarial loss (gain)	-	-	25	318	37	(4)
Curtailment loss (gain)	-	-	(12)	-	-	-
Accrued Benefit Obligation, end of year	$ 544	$ 1,299	$ 439	$ 569	$ 1,944	$ 322

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

	Long Term Disability	Early Retirement Incentive	Supplemental Pension Obligation
Discount Rate	4.75%	4.75%	6.50%
Average compensation increase	n/a	n/a	4.0%
Annual inflation rates:			
Dental costs	3.00%	3.00%	n/a
Extended health care costs	7.5% (1)	7.5% (1)	n/a
Alberta health care costs	3%	3%	n/a

(1) 5% in 2008 and thereafter

The University participates with other employers in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit plans. The pension expense recorded in these financial statements is equivalent to an actuarially determined contributions payable of

Note 9 Future Employee Benefits (continued)

$12,761 for the year ended March 31, 2003 (2002 - $12,106). At December 31, 2002 the Public Service Pension Plan reported a deficit of $175,528 (2001- surplus of $320,487).

The University Academic Pension Plan (UAPP) is a contributory defined benefit pension plan for academic staff members and other eligible employees of the Universities of Alberta, Calgary and Lethbridge, Athabasca University and The Banff Centre. At December 31, 2002, the UAPP reported an actuarial deficiency of $327,372 (2001 $151,996) consisting of a pre-1992 deficiency ($318,193) and a post 1991-deficiency ($9,179). An actuarial valuation of the UAPP was carried out as at December 31, 2000 which was then extrapolated to December 31, 2002. The extrapolation did not include the impact of increases in the maximum pensionable salary amount proposed in the 2003 Federal Budget. The next actuarial valuation of the UAPP is required to be completed by the end of December 31, 2003.

The unfunded liability for service prior to January 2, 1992 as determined by actuarial valuation is being financed by additional contributions from the Province of Alberta, employer and employees. Contribution rates are set on the basis that the additional contributions will eliminate the unfunded liability on or before December 31, 2043. The employer and employee rate at December 31, 2002 is 0.07% each of salary and the rate for the Province of Alberta is 1.25% of salary.

Note 10 Net Assets Restricted for Endowment Purposes

Endowments consist of restricted contributions where the principal donation is required to be maintained in perpetuity (externally restricted) as well as internal allocations by the Board of Governors (internally restricted). The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. The economic value of the endowments are protected by limiting the amount of investment income that may be spent to 5% of the 4 year rolling market average of the principal donation, except as otherwise stipulated by the donor. Investment income earned in excess of this amount is added to the endowment principal. Under section 17(1)(m) of the Universities Act, the University has the authority to alter the terms and conditions of an endowment to enable income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.

In any particular year, should net investment income be insufficient to fund the spending allocation or should the investment return be negative, the spending allocation is funded from the cumulative capitalized earnings. However, for individual endowment funds without sufficient cumulative capitalized earnings, endowment capital is used in the current year. This amount is expected to be recovered by future net investment income.

	2003			2002		
	Externally Restricted	**Internally Restricted**	**Total**	**Externally Restricted**	**Internally Restricted**	**Total** (as restated, note 18)
Cumulative contributions	$ 131,307	$ 26,323	$ 157,630	$ 121,654	$ 26,090	$ 147,744
Cumulative capitalized earnings	43,497	16,569	60,066	81,501	27,637	109,138
	$ 174,804	$ 42,892	$ 217,696	$ 203,155	$ 53,727	$ 256,882

During the year, $9,519 in externally restricted endowment donations was received and $134 in board transfers was approved. During the year, a transfer of $8,190 from cumulative capitalized earnings was required to cover the externally restricted endowment spending allocation. In addition, $4,832 in realized investment losses and fees, and $24,982 in unrealized investment losses were charged against the cumulative capitalized earnings. As a result, externally restricted endowments decreased from $203,155 at March 31, 2002 to $174,804 at March 31, 2003.

During the year, $233 in internally restricted donations and transfers was received. The Board of Governors approved the use of previously capitalized earnings of $4,036 (2002 capitalized - $490) from internally restricted endowments to cover the internal endowment spending allocation. In addition, $1,308 in realized investment losses and fees, and $5,724 in unrealized investment losses were charged against the internally restricted cumulative capitalized earnings. As a result, internally restricted endowments decreased from $53,727 at March 31, 2002 to $42,892 at March 31, 2003.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (thousands of dollars)

Note 11 Net Assets Internally Restricted

Internally restricted net assets represent amounts set aside by the University's Board of Governors for specific purposes. These amounts are not available for other purposes without the approval of the Board. At March 31, 2003, net assets have been set aside for the following purposes:

	2003	2002 (as restated, note 18)
Renovations	$ -	$ 5,021
Equipment	-	8,377
New Construction	-	487
Subsidiaries	4,548	3,902
Faculty and Departmental	1,870	8,462
Indirect Research Support	1,027	7,319
	$ 7,445	$ 33,568

Note 12 Investment Income

	2003			2002		
	Realized Investment (Loss) Income	Unrealized Investment (Loss) Income	Total	Realized Investment (Loss) Income	Unrealized Investment (Loss) Income	Total
				(as restated, note 18)		
(Loss) on externally restricted endowments	$ (3,523)	$ (24,982)	$ (28,505)	$ (1,672)	$ (2,592)	$ (4,264)
(Loss) income on internally restricted endowments	(1,244)	(5,724)	(6,968)	(684)	1,381	697
(Loss) income on non endowed investments	(11,926)	(3,973)	(15,899)	5,378	21,218	26,596
Total Investment (loss) income for the period	(16,693)	(34,679)	(51,372)	3,022	20,007	23,029
Amounts previously deferred and recognized in year	4,078	-	4,078	13,075	-	13,075
Amounts credited directly to capital contributions	(88)	-	(88)	(298)	-	(298)
Loss (income) charged (capitalized) to externally restricted endowments	3,523	24,982	28,505	(6,185)	2,592	(3,593)
Total Investment (loss) income recognized as revenue	$ (9,180)	$ (9,697)	$ (18,877)	$ 9,614	$ 22,599	$ 32,213

Note 13 Salaries and Benefits

In accordance with Directive 12/98 from the Treasury Board of the Province of Alberta dated December 16, 1998, the salaries and benefits of the University's senior decision management group are disclosed as follows:

	2003			2002
	Salaries (1)	Benefits and Allowances (2)	Total	Total (3)
Governance (4)				
Chair of the Board of Governors	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-
Executive	-	-	-	
President	269	108	377	335
Vice-President	-	-	-	
Provost and Academic	214	43	257	231
Finance and Services (5)	146	63	209	213
Research	158	37	195	157
External Relations (6)	72	24	96	-
Associate (Student Affairs)	-	-	-	132
	$ 859	$ 275	$ 1,134	$ 1,068

Note 13 Salaries and Benefits (continued)

(1) **Salaries**

Salaries include regular base pay and honorariums.

(2) **Benefits and Allowances**

Benefits and allowances include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, workers compensation, supplemental pension plans and professional expense allowance. Benefits reported for the President include a housing allowance. Benefits reported for the President and Vice-Presidents include car allowances or the taxable benefit for the use of University leased vehicles.

(3) **Restatement**

The 2002 comparative numbers have been restated to include a housing benefit reported for the President and the taxable benefit for the use of University leased vehicles for the President and Vice-Presidents

(4) **Governance**

The Board of Governors governs the University. Members are either appointed or serve in an ex officio capacity. They may be employed by the University, but do not receive remuneration for their participation on the Board.

(5) **Vice-President, Finance and Services**

More than one individual held this position during the year ended March 31, 2003.

(6) **Vice-President, External Relations**

This is a new position filled in November 2002.

Note 14 Budget Comparison

A combined operating and capital budget prepared on a functional or departmental basis was approved by the Board of Governors on April 5, 2002. Budgets are subject to reallocation by departments and faculties throughout the year and the final reallocated budget is presented for purposes of comparison to actual results. The operating budget has also been reformatted to conform to generally accepted accounting principles as follows:

	2003		2002	
	Budget	Actual	Budget	Actual (as restated, note 18)
REVENUE				
Government of Alberta grants	$ 204,461	$ 252,498	$ 227,996	$ 240,415
Other government grants	91,918	67,279	54,994	61,012
Donations and other grants	69,811	45,737	55,053	54,702
Credit tuition and related fees	92,602	102,915	90,087	91,906
Non-credit tuition and related fees	14,787	14,240	13,059	14,992
Sales of services and products	71,551	68,650	56,156	63,597
Amortization of deferred capital contributions	49,263	53,323	65,396	51,633
Investment income (loss)	27,836	(18,877)	29,592	32,213
	622,229	$ 585,765	592,333	610,470
EXPENSE				
Salaries	319,414	328,162	302,188	298,386
Benefits	45,066	45,522	42,975	41,626
Materials, supplies and services	70,808	86,352	60,599	74,999
Amortization of capital assets	64,223	70,002	77,240	65,811
Utilities	21,499	26,244	21,963	22,144
Scholarships, grants and awards	21,077	18,219	20,936	19,401
Travel	22,310	21,009	16,227	18,682
Cost of goods sold	24,702	17,863	16,051	16,882
Maintenance and repairs	22,873	12,294	6,765	14,171
Financing	1,768	3,103	3,676	2,055
Loss on disposal of capital assets	-	-	-	1,057
	613,740	628,770	568,620	575,214
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	$ 8,489	$ (43,005)	$ 23,713	$ 35,256

Note 15 Pledges

Pledges to the University at March 31, 2003 are $9,135 (2002 - $5,533). These pledges are expected to be honoured over the next several years and have not been recorded as a receivable in the financial statements.

Note 16 Commitments and Contingencies

(a) As at March 31, 2003 the University has a contractual commitment of $722 (2002 - $13,771) for capital projects. This amount has not been recorded in the financial statements.

(b) The University is a defendant in a number of legal proceedings. Claims against the University in these proceedings have not been reflected in these financial statements. While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of the University and its legal counsel that the resolution of these claims will not have a material effect on the financial position of the University. Any loss that may result from these proceedings will be accounted for in the period in which the settlement occurs.

(c) The University is one of the members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risk of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through the members' premiums. As at December 31, 2002 CURIE had a surplus of $4,072 (2001 - $7,226) of which the University's pro rata share is approximately 7.91 % (2001 – 6.94%) on an ongoing basis.

(d) The University's commitments on operating leases for the next five years as follows: 2004 - $ 1,258; 2005 – $ 1,110; 2006 – $ 953; 2007 – $ 582; 2008 – $ 356.

(e) In order to manage its exposure to the volatility in the electrical industry, the Board of Governors entered into a three year contract to fix its electrical cost at an average of $0.118 per kilowatt hour, expiring on December 31, 2003. Based on 2002/2003 consumption, the annual costs for the year ending March 31, 2004 are expected to be $ 14.3 million.

Note 17 Related Party Transactions

(a) The University is a Provincial Corporation as all the members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Learning. Transactions between the University and the Province of Alberta are summarized as follows:

	2003	2002
Alberta Learning:		
Operating grant	$ 175,968	$ 157,974
Capital grant	30,700	-
Access	23,412	17,717
Miscellaneous grants	2,800	8,437
Performance funding	-	6,624
Total Alberta Learning grants	232,880	190,752
Other provincial departments and agencies received	55,326	86,592
Total Government of Alberta grants received	288,206	277,344
Provincial grants deferred	(35,708)	(36,929)
Earned Government of Alberta grants	$ 252,498	$ 240,415

At March 31, 2003 the University had a receivable from the Province of Alberta of $7,774 (2002 - $9,757), a payable to the Province of Alberta of $10 (2002 - $251), long term accounts receivable of $30,700 (2002 - $0) and long-term liabilities of $233 (2002 – $234).

Note 17 Related Party Transactions (continued)

(b) The Calgary Health Region and the Province of Alberta are related parties as the Region's board is appointed by the Minister of Health and Wellness. As the University and the Province of Alberta are related parties, the Calgary Health Region is a related party to the University. During the year the University and the Region had the following transactions:

	2003	2002
Revenue and Cost Recoveries		
Salaries and benefits	24,770	22,452
Occupany costs and utilities	211	233
Materials and Supplies	1,021	1,715
Other	2,873	2,679
	$ 28,875	$ 27,079
Expenditures:		
Materials and Supplies	5,680	3,167
Utilities	3,935	3,018
Maintenance and repairs	82	219
	$ 9,697	$ 6,404

At March 31, 2003 the University had a receivable from the Calgary Health Region of $2,426 (2002 - $2,235) and a payable to Calgary Health Region of $405 (2002 - $0). The University will be entering into a lease agreement with the Region to lease 32 acres of land to the Region for the site of the new Alberta Children's Hospital. The book value of the leased land is $2,562.

(c) The University of Calgary Foundation (1999) is a private foundation, which operates to receive gifts and donations and to periodically provide grants to the University. The majority of the assets held by the Foundation originate from those transferred in 2000 from the now inactive University of Calgary (Crown) Foundation. During the year, the University received grants from the Foundation totaling $349 (2002 - $184). At March 31, 2003 the University was holding $254 on behalf of the Foundation (2002 - $437).

(d) The University of Calgary Medical Group (UCMG) is a not-for-profit organization that provides billing services to the members of UCMG in accordance with an Agency Agreement and a Member Agreement. These agreements govern the activities of the group such as billings, collections and accounting services. Effective January 1, 2001, a clinical service levy, based on percentages of individual member's medical revenue is paid to the University of Calgary.

(e) The University has a one-third joint venture interest in the campus Alberta: Graduate program in counseling. The University, along with Athabasca University and the University of Lethbridge formed the joint venture to develop and deliver a collaborative Alberta Graduate Counseling Program. These transactions were entered into on the same business terms as with non-related parties and are recorded at these fair value amounts. The University's share of revenue and expenses has been recorded using the equity method of accounting. The University's share of joint venture earning for the year is $32 (2002 - $41). The University's equity in the joint venture at March 31, 2003 is $123 (2002 - $91).

(f) In 2003 and 2002, the University participated in offering certain courses with other public colleges, universities, and institutes. The revenues and expenses incurred for these courses have been included in the consolidated statement of revenue, expenses and unrestricted net assets, but have not been separately quantified.

Note 18 Change in Accounting Policy, Prior Period Adjustment and Restatement

(a) Valuation of Investments - Prior to the current fiscal year, long-term investments were recorded at cost. During the current year, the University changed its accounting policy and now records long-term investments at market value. Changes in market value from one period to the next are included in the investment income (loss) for the period (Note 12). Such investment income (loss) is included in revenue in accordance with the University's revenue recognition policies (Note 2c).

(b) Capitalization of software - Prior to the current fiscal year, the University expensed all software acquisitions. During the current year, the University changed its accounting policy and now capitalizes and amortizes software with a useful life of greater than one year.

(c) During the year the University receives independent appraisals for capital donations-in-kind that had previously been recorded at a nominal value. The fair market value of the capital donations-in-kind has now been recorded in the financial statements.

(d) During the prior year the University incorrectly recorded a lease as an operating rather than a capital lease and incorrectly expensed a capital addition. The University has now recorded these transactions as capital assets. During the prior years the University incorrectly recorded non-amortizable collections and books as unamortized deferred capital collections. These are now recorded as net assets invested in capital assets and collections.

These changes have been applied retroactively with restatement of comparative numbers. Also certain 2002 figures have been reclassified to conform to the 2003 presentation. The impact on the prior years financial statements as a result of the change in accounting policy, prior period adjustments and reclassifications is as follows:

	2002				
	As Previously Reported	Change in Accounting Policy	Prior Period Adjustment	Restatement	As Restated
Consolidated Statement of Financial Position					
Increase (decrease) in:					
Cash and cash equivalents	55,327	70		(1,168)	54,229
Accounts receivable	56,644		200	68	56,912
Long-term investments	320,308	(6,795)		1,100	314,613
Capital assets and collections	546,471	1,202	15,840		563,513
Accounts payable	54,857			(442)	54,415
Deferred revenue	14,663			(356)	14,307
Deferred contributions	105,409		(800)	43,644	148,253
Deferred capital contributions	52,388			(43,330)	9,058
Long-term liabilities	26,259		752	480	27,491
Unamortized deferred capital contributions	361,596	400	14,416	(8,412)	368,000
Restricted for endowment purposes	267,125	(10,624)		381	256,882
Investment in capital assets and collections	158,126	802	672	8,414	168,014
Internally restricted net assets	35,476		200	(2,108)	33,568
Unrestricted net assets	681	3,899	800	1,729	7,109
Consolidated Statement of Revenue and Expense					
Increase (decrease) in:					
Other government grants	60,812		200		61,012
Donations and other grants	53,902		800		54,702
Amortization of deferred capital contributions	42,975	311	8,347		51,633
Investment income	9,614	22,599			32,213
Materials, supplies and services	76,095	(1,096)			74,999
Amortization of capital assets	56,547	748	8,516		65,811
Maintenance and repairs	14,428		(257)		14,171
Consolidated Statement of Cash Flows					
Increase (decrease) in:					
Operating activities	3,089	1,099	257	256	4,701
Investing activities	(101,699)	531	(1,084)		(102,252)
Financing activities	73,327	(2,326)	827	(661)	71,167
Cash and cash equivalents, opening balance	80,610	3			80,613

Note 18 Change in Accounting Policy and Prior Period Adjustment (continued)

	2001				
	As Previously Reported	Change in Accounting Policy	Prior Period Adjustment	Restatement	As Restated
Consolidated Statement of Financial Position					
Increase (decrease) in:					
Cash and cash equivalents	80,610	3			80,613
Long-term investments	331,803	(26,735)			305,068
Capital assets and collections	490,881	588	23,272		514,741
Deferred contributions	110,697			42,523	153,220
Deferred capital contributions	54,320			(42,523)	11,797
Unamortized deferred capital contributions	338,027	445	22,688	(8,078)	353,082
Restricted for endowment purposes	255,906	(9,414)		381	246,873
Investment in capital assets and collections	124,461	143	584	8,080	133,268
Internally restricted net assets	58,393			(2,108)	56,285
Unrestricted net assets	526	(17,318)		1,729	(15,063)

Note 19 Approval of Financial Statements

These financial statements have been approved by the Board of Governors following the recommendation of the Audit Committee.

UNIVERSITY TECHNOLOGIES INTERNATIONAL INC.

Financial Statements

For the year ended March 31, 2003

Auditor's Report

Financial Statements:

- Consolidated Balance Sheet
- Consolidated Statement of Earnings and Retained Earnings
- Consolidated Statement of Cash Flows
- Notes to Consolidated Financial Statements
- Consolidated Schedule of Licensing and Royalty Revenue
- Consolidated Schedule of Product Development Revenue
- Consolidated Schedule of Personnel Costs

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Shareholder of University Technologies International Inc.

I have audited the consolidated balance sheet of the University Technologies International Inc. as at March 31, 2003 and the consolidated statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
June 11, 2003

University Technologies International Inc.

Consolidated Balance Sheet

As at March 31, 2003

	2003	2002 (Restated Note 18)
Assets		
Current assets		
Cash and cash equivalents	$ 4,161,300	$ 3,309,036
Accounts receivable	427,531	448,427
Prepaid expense	15,322	7,936
Restricted cash and cash equivalents (note 4)	637,880	1,041,454
Investment tax credit receivable	49,398	-
	5,291,431	4,806,853
Investments (note 5)	182,217	640,893
Furniture and equipment (note 6)	85,598	101,819
Intangible assets (note 7)	1,071,589	1,039,173
	$ 6,630,835	$ 6,588,738
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 806,981	$ 684,274
Income tax payable	262,696	112,573
Deferred revenue	637,880	1,041,454
Deferred gain on issuance of shares by SemBioSys Genetics Inc. (note 5)	-	334,049
	1,707,557	2,172,350
Long-term debt (note 8)	233,003	234,478
Patronage payment obligation (note 12)	-	363,909
Minority interest in subsidiary companies	137,030	245,724
	2,077,590	3,016,461
Shareholder's Equity		
Capital stock (note 13)	1	1
Class "B" Preferred shares to be issued	306,250	-
Class "B" Preferred shares (note 13)	363,909	-
Contributed Surplus	1,974,197	1,974,197
Retained earnings	1,908,888	1,598,079
	4,553,245	3,572,277
	$ 6,630,835	$ 6,588,738

Approved by the Board of Directors

Director

Director

University Technologies International Inc.

Consolidated Statement of Earnings and Retained Earnings

For the year ended March 31, 2003

	2003		2002
	Budget	Actual	Actual (Restated See Note 18)
Revenue			
Net licensing and royalty revenue (schedule 1)	$ 968,221	$2,043,124	$ 777,924
Client contract revenue	75,000	80,725	75,000
Net product development revenue (schedule 2)	24,125	54,513	204,419
Other	600	32	750
	1,067,946	2,178,394	1,058,093
Expenses			
Personnel (schedule 3)	1,058,273	1,300,589	1,161,941
Operating	489,426	360,927	390,773
Amortization	224,877	246,302	244,405
Donations	-	273	1,550
Write down of patents	50,000	119,143	151,632
Other	205,100	294,098	253,899
	2,027,676	2,321,332	2,204,200
Expense reimbursements (note 11)	(897,720)	(914,433)	(1,846,152)
	1,129,956	1,406,899	358,048
Income (loss) before the following	(62,010)	771,495	700,045
Investment income	-	-	102,226
Gain on sale of equity	-	-	86,954
Share of gain/loss of equity investments	-	42	(19,953)
Share of loss of SemBioSys Genetics Inc.'s shares (note 5)	-	(319,044)	(472,902)
Recognized gain on issuance of SemBioSys Genetics Inc.'s shares (note 5)	-	334,049	472,902
Interest income	104,000	95,540	114,829
Foreign exchange (loss) gain	-	(8,192)	3,342
Gain on disposal of capital assets	-	30	2,275
Write down of investments	-	(169,677)	(71,429)
	104,000	(67,252)	218,244
Earnings before income taxes and patronage dividends	41,990	704,243	918,289
Patronage payment (note 12)	-	306,250	363,909
Earnings before income taxes	41,990	397,993	554,380
Provision for income taxes			
Current	-	146,878	241,000
Earnings before minority interest	$ 41,990	251,115	313,380
Minority interest in (earning) loss of subsidiary companies		59,694	(6,661)
Net earnings for the year		310,809	306,719
Retained earnings -beginning of year		1,598,079	1,291,360
Retained earnings - end of year		$1,908,888	$ 1,598,079

University Technologies International Inc.

Consolidated Statement of Cash Flows

For the year ended March 31, 2003

	2003	2002 (Restated Note 18)
Cash provided by (used in)		
Operating activities		
Net earnings for the year	$ 310,809	$ 306,719
Credits to earnings not involving cash	460,393	439,405
Patronage payment (note 12)	306,250	363,909
	1,077,452	1,110,033
Net change in non-cash working capital balances related to operations (note 17)	236,942	(310,194)
	1,314,394	799,839
Investing activities		
Purchases of furniture, equipment and intangibles	(647,396)	(649,243)
Proceeds on disposal of furniture, equipment and intangibles, including patent cost recoveries	265,786	139,737
Investment in equity interest	(30,045)	(122,589)
Proceeds on sale of equity	-	124,479
Advance to E-Volve	-	(30,000)
	(411,655)	(537,616)
Financing activities		
Dividends to minority interest	(49,000)	-
Debt repayment	(1,475)	(22,125)
	(50,475)	(22,125)
Increase in unrestricted cash and cash equivalents for the year	852,264	240,098
Unrestricted cash and cash equivalents - beginning of year	3,309,036	3,068,938
Unrestricted cash and cash equivalents - end of year	$ 4,161,300	$ 3,309,036

1. Operations

University Technologies International Inc. ("UTI" or the "company") is a profit-oriented licensing, commercialization, and intellectual property management company which is wholly owned by the University of Calgary.

2. Significant accounting policies

Consolidation

The financial statements are prepared on a consolidated basis and include the accounts of the company, its wholly owned subsidiary University Technologies International Venture Management Inc. and its 51% owned subsidiaries NeuroSpheres Ltd. ("NeuroSpheres" (note 3)) and NeuroSpheres Holdings Ltd. ("NHL").

Revenue recognition

Licensing and client contract revenues are recognized when persuasive evidence of an arrangement exists, collection of the fee is probable and there are no future obligations for performance.

Royalty revenues are recognized when earned based on product sales reported by licensees.

Product development revenues are deferred and recognized as related product development expenses are incurred and include overhead recoveries.

Investments in significantly influenced companies

The company accounts for its investments in AB Biopharma Inc., ACT Pharma Inc., nBoundary Software Inc., ("nBoundary"), and SemBioSys Genetics Inc. ("SemBioSys"), entities over which the company has significant influence, by the equity method. Under the equity method, the company's investments are recorded initially at cost, increased by the net earnings of the investee entity, decreased by net losses of the investee entity, and decreased by dividends received from the investee entity and adjustments required to recognize other changes in the company's equity interest. Net earnings (losses) are recorded based on each investee corporation's most recent fiscal year end.

Long-term investments, including marketable equity securities, are accounted for at cost unless it is assessed that there has been an "other than temporary" decline in value.

2. Significant accounting policies (continued)

Furniture, equipment and intangible assets

Amortization is provided over the estimated useful lives of the assets on a straight-line basis as follows:

Office furniture and artwork	10 to 15 years
Office equipment	3 years
Computer hardware	2 years
Leasehold improvements	Term of lease
Computer software	3 years

Patents are recorded at cost and include acquisition and maintenance costs. Patent costs are amortized on a straight-line basis over 10 years. The carrying value of patents related to a project is limited to the estimated future net cash flows expected to be derived from the project. Patent costs in excess of estimated future net cash flows are written off.

Investment tax credits

Investment tax credits are recognized when there is reasonable assurance of their recovery using the cost reduction method. Investment tax credits are subject to the customary approvals by the pertinent tax authorities. Adjustments required, if any, are reflected in the year when such assessments are received.

Income taxes

Income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at carrying values. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determinable based on the tax laws and rates that are anticipated to apply in the period of realization. A valuation allowance is recorded to the extent there is uncertainty regarding realization of future tax assets.

Foreign currency translation

Transactions denominated in foreign currencies are translated using the temporal method. Under this method, monetary assets and liabilities are translated using the rate of exchange in effect at the balance sheet date, whereas non-monetary assets and liabilities are translated at the rate of exchange in effect on the date of the transaction. Revenues and expenses are translated at monthly average rates prevailing throughout the period, except for amortization which is translated at exchange rates prevailing when the related assets were acquired. Exchange gains and losses resulting from translation are included in the statement of earnings and retained earnings.

2. Significant accounting policies (continued)

Government assistance

Government assistance related to current expenses is recorded as a reduction of expenses when the related expenditures are incurred. Government assistance related to capital expenditures is reflected as a reduction in the cost of such assets. When cash is received in advance of the related expenditures, that grant is recorded as deferred revenue and the cash is separately disclosed as restricted cash.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are made for recoverability of patent costs and investment valuations.

Cash and cash equivalents

Cash and cash equivalents consists of cash on deposit and highly liquid short-term interest bearing securities which mature within three months or less of the date of purchase.

3. NeuroSpheres Ltd.

NeuroSpheres was incorporated on November 5, 1992 and commenced operations in December 1992. NeuroSpheres' main objective is the preparation, prosecution and maintenance of patents, and licensing of the company's technology, related to the neural stem cell technology.

3. NeuroSpheres Ltd. (continued)

Summary financial information from NeuroSpheres is as follows:

	2003	2002
Cash and cash equivalents	$ 365,321	$ 451,168
Accounts receivable	1,550	-
	366,871	451,168
Investments	94,600	206,401
Capital assets (patents)	45,615	72,723
	$ 507,086	$ 730,292
Accounts payable and accrued liabilities	$ 536	$ 2,305
Income tax payable	1,382	-
Current portion of long-term debt	103	-
	2,021	2,305
Long-term debt	233,003	234,101
	235,024	236,406
Capital stock	9,799	9,799
Contributed surplus	143,554	143,554
Retained earnings	118,709	340,533
	272,062	493,886
	$ 507,086	$ 730,292
Revenue	$ 21,953	$ 16,016
Expenses		
Operating	3,656	17,955
Amortization	27,392	27,380
	31,048	45,335
Loss before the following:	(9,095)	(29,319)
Write down of investment (StemCells)	(111,801)	-
Interest income	6,636	7,574
Loss before income taxes	(114,260)	(21,745)
Current income tax (recovery) expense	7,564	(35,337)
Net earnings or (loss) for the year	$ (121,824)	$ 13,592

4. Restricted cash and cash equivalents

Certain cash and cash equivalents balances amounting to $637,880 (2002 - $1,041,454) are not available to pay ordinary operating expenses of the company.

$137,880 (2002 – $291,454) is held to pay for research and development expenses as provided by the terms of the agreements between the company and firms sponsoring such activities.

$500,000 (2002 - $750,000) is held to pay for costs associated with technology, commercialization and new enterprise development as provided by the terms of a Government of Alberta grant received during the year.

5. Investments

	2003	2002
SemBioSys Genetics Inc. (20.41% (2002 - 20.41%) of the issued and outstanding capital stock)(1)		
Equity investment at beginnng of year	$ 319,044	$ 791,946
Share of loss of SemBioSys	(319,044)	(472,902)
	-	319,044
nBoundary- formerly E-Volve (37.8% (2002 - 40.2%) of the issued and outstanding capital stock)		
Equity investment at beginnng of year	-	19,980
Share of loss of nBoundary	-	(19,980)
	-	-
AB Biopharma (49.99% (2002 - 49.99%) of the issued and outstanding capital stock)		
Equity investment at beginnng of year	49	-
Investment in current year	-	49
Share of loss	(49)	-
	-	49
ACT Pharma (49.99% (2002 - 49.99%) of the issued and outstanding capital stock)		
Equity investment at beginnng of year	76	-
Investment in current year	-	49
Share of income	93	27
	169	76
	169	319,169
Other investments at cost		
Wi-Lan Inc.	1	1
Cell-Loc Inc.	1,259	1,259
SalPep Inc.	1	1
StemCells Inc.	94,600	206,402
Sonexis, Inc. (formerly eYaK, Inc.)	63,000	63,000
On Stream Technologies Inc.(2)	1	-
Oncolytics Biotech Inc.	23,184	51,060
Helix Biomedix Inc.(2)	1	-
Quorex Pharmaceuticals, Inc.(2)	1	1
	182,048	321,724
	$ 182,217	$ 640,893

5. Investments (continued)

[1] Investment in SemBioSys Genetics Inc. as of December 31, 2002.
[2] Investment in Quorex Pharmaceuticals, Inc. ("Quorex"), Helix Biomedix Inc. ("Helix"), and On Stream Technologies Inc. ("On Stream") related to non-monetary exchanges of shares in each company for licenses. The fair value of the transactions were minimal at the exchange date.

Other investments at market

Shares held in public companies and their related market values at the year-end were as follows:

	2003		2002	
	Number of shares	Market value $	Number of shares	Market value $
Wi-Lan Inc.	21,000	28,980	21,000	64,260
Cell-Loc Inc.	11,000	4,180	11,000	20,240
StemCells Inc.(U.S. $)	55,000	64,283	55,000	113,300
Oncolytics Biotech Inc.	13,800	23,184	13,800	51,060

The carrying value of StemCells Inc. and Oncolytics Biotech Inc. were written down to recognize impairment in value that is considered to be other than temporary.

SemBioSys Genetics Inc.

The company accounts for its investment in SemBioSys using the equity method. The issuance of shares by SemBioSys resulted in a gain in the company's financial statements all of which had been deferred and is being recognized as SemBioSys incurs expenditures funded by the proceeds of the share issuances. The gain represents the company's proportionate share of the proceeds less the nominal carrying value of the percentage reduction in its ownership of SemBioSys, and results in an increase in the carrying value of the investment.

During the year $ 334,049 (2002 – $472,902) of the deferred gain was recognized into income representing the company's equity share of the SemBioSys loss for the year. The SemBioSys loss resulted from expenditures funded by the proceeds of the share issuances.

nBoundary Software Inc.

Subject to a Shareholders' Agreement effective July 20, 1999, UTI lost its controlling interest in nBoundary (formerly E-Volve, Inc.) and commenced accounting for its investment using the equity method. As a result, the cost of the investment is equal to the original cash investment in 1999, the additional cash investment in 2000 and the equity share of nBoundary's loss since UTI's investment.

6. Capital assets

			2003
	Cost **$**	**Accumulated amortization**	**Net** **$**
Artwork	3,239	414	2,825
Office equipment	57,053	39,866	17,187
Office furniture	78,863	39,289	39,574
Computer hardware	98,726	87,465	11,261
Leasehold improvements	28,550	13,799	14,751
	266,431	180,833	85,598

			2002
	Cost **$**	**Accumulated amortization**	**Net** **$**
Artwork	3,240	198	3,042
Office equipment	53,908	42,761	11,147
Office furniture	72,466	31,981	40,485
Computer hardware	91,996	65,312	26,684
Leasehold improvements	28,550	8,089	20,461
	250,160	148,341	101,819

7. Intangible assets

			2003
	Cost $	**Accumulated amortization**	**Net $**
Computer software	65,971	40,594	25,377
Patents	2,001,250	955,038	1,046,212
	2,067,221	995,632	1,071,589

			2002
	Cost $	**Accumulated amortization**	**Net $**
Computer software	42,845	35,791	7,054
Patents	1,850,440	818,321	1,032,119
	1,893,285	854,112	1,039,173

During the year, patents with a net book value of $119,143 (2002 - $ 151,632) were written off.

8. Long-term debt

At March 31, 2003, the company's long-term debt included $233,003 received by NeuroSpheres by the Alberta Heritage Foundation for Medical Research (AHFMR) in accordance with an agreement dated November 3, 1993. The debt is non-interest bearing and repayment is contingent upon NeuroSpheres' ability to generate gross sales of product and services. As sales are generated, the lesser of $100,000 and 5% of gross sales is to be paid to AHFMR on an annual basis until the principal debt of $233,003 plus an additional royalty of $250,000 is paid to AHFMR.

AHFMR has the option to convert the outstanding obligation including the debt of $233,003 plus the contingent royalty liability of $250,000 into an equity interest in NeuroSpheres equal to 2.5% of all issued and outstanding shares at the time the option is exercised.

9. Income taxes

The company has assets with a cost basis for tax purposes that exceed their carrying value in the financial statements by $607,000 (2002 – $490,000) which may be used to reduce taxable income in future years.

The company has unutilized investment tax credits of $34,595 (2002 – $34,595) which may be carried forward to reduce federal income taxes payable in future years.

The potential future tax benefits relating to the above items have not been recognized in these financial statements.

10. Related party transactions

During the year, the company and its subsidiaries were involved in the following transactions with the company's parent, the University of Calgary:

	2003 **$**	**2002** **$**
Client contract revenue	75,000	75,000
Product development expense	364,753	353,010
Other services included in operating expense	9,193	5,797
Royalty payments	57,443	48,395
Other revenue	11,102	17,953
Donation to the University	-	1,400
Production costs	61,731	90,424
Project expenses	20	-

At March 31, 2003, accounts payable included $129,424 (2002 – $46,215) owing to the University of Calgary. These transactions were entered into with the same terms as non-related parties and are recorded at their fair value amounts.

During the year, UTI also had business transactions with an organization subject to common control. These transactions were entered into with the same terms as non-related parties and are recorded at these fair value amounts. The revenues and expenses relating to these transactions have been included in the consolidated statement of earnings and retained earnings, but have not been separately quantified.

During the year, UTI recorded revenue from the Province of Alberta in the amount of $849,330. The company also has deferred revenue of $500,000 relating to a grant received from the Province during the year.

11. Expense reimbursements

Expense reimbursements consists of:

	2003	2002 (Restated Note 18)
Government assistance		
Government of Alberta	$ 849,330	$ 1,459,417
Government of Canada	50,000	347,018
	899,330	1,806,435
Other reimbursements	15,103	39,717
	$ 914,433	$ 1,846,152

12. Patronage payment obligation

The company entered into an agreement with the University of Calgary, its shareholder, that provides for the payment of patronage allocations to the University. The agreement is effective April 1, 2001 and the Board of Directors of the company approved a patronage allocation of $363,909 for the year ended March 31, 2002. Under the agreement, all patronage payment obligations will be settled through the issuance of Class "B" Preferred Shares. The company was able to issue Class "B" Preferred shares effective August 9, 2002. The company has approved a patronage payment in 2003 of $306,250.

13. Share capital

Authorized
Unlimited number of common shares
Unlimited number of Class "B" Preferred shares

The Class "B" voting preferred shares are redeemable at the company's option and are entitled to a non-cumulative dividend, when and if declared by the company, of up to 15% per annum.

14. Contingencies and commitments

The company is committed to the following minimum operating lease payments over the next five years under the terms of premises leases:

	$
Year ending March 31, 2004	97,877
2005	97,877
2006	79,408

The company received $200,000 in 1995 from Alberta Economic Development and Tourism for the research and development of certain projects. Repayment of the $200,000 is contingent upon the projects generating royalty income and is calculated as 5% of royalties received on the projects during any year. Payments commenced in 1999 and will end in 2006. To March 31, 2003, the company has repaid $110,555.

15. Budget

The budget was approved by the Board of Directors on March 27, 2002.

16. Financial instruments

The fair value of monetary assets and liabilities except long-term debt, is not considered to be materially different from their stated values, due to the relatively short period to maturity of all significant balances. The long-term debt balance relating to AHFMR does not currently have fixed repayment terms, therefore it is not possible to determine fair value of this financial instrument at March 31, 2003. Financial derivative instruments are not used by the company.

Credit and foreign currency risk

The company is not exposed to significant credit risk as it sells mainly to a diverse group of established distributors and users. Foreign currency risk is not considered to be significant as the majority of the company's sales are in Canadian dollars.

17. Supplementary cash flow information

The net changes in non-cash working capital balances related to operations consists of:

	2003	**2002** (Restated Note 18)
Accounts receivable	$ 20,896	$ (13,673)
Investment tax credit receivable	(49,398)	31,227
Prepaid expense	(7,386)	(842)
Decrease in restricted cash	403,574	674,607
Accounts payable and accrued liabilities	122,707	(137,637)
Income tax payable	150,123	(189,269)
Deferred revenue	(403,574)	(674,607)
	$ 236,942	$ (310,194)

18. Prior Period Adjustment

During the year, the company determined that certain patent expense reimbursements were incorrectly recorded in 2002. As a result, expense reimbursements in 2002 were overstated and expense reimbursements were understated in 2001. The amounts have been restated retroactively as follows:

	2002		
	As Previously Reported	Adjustment	Restated
Consolidated Balance Sheet			
Accounts receivable	$ 248,427	$ 200,000	$ 448,427
Income tax (receivable) payable	$ (9,427)	$ 122,000	$ 112,573
Retained earnings, beginning of year	$ 1,155,752	$ 135,608	$1,291,360
Retained earnings, end of year	$ 1,520,079	$ 78,000	$1,598,079
Consolidated Statement of Earnings and Retained Earnings			
Expense reimbursements	$ 1,886,760	$ (40,608)	$1,846,152
Provision for income taxes - current	$ 224,000	$ 17,000	$ 241,000
Net earnings for the year	$ 364,327	$ (57,608)	$ 306,719

	2001		
	As Previously Reported	Adjustment	Restated
Consolidated Balance Sheet			
Accounts receivable	$ 194,146	$ 240,608	$ 434,754
Income tax payable	$ 196,842	$ 105,000	$ 301,842
Retained earnings, end of year	$ 1,155,752	$ 135,608	$1,291,360
Consolidated Statement of Earnings and Retained Earnings			
Expense reimbursements	$ 1,079,758	$ 240,608	$1,320,366
Provision for income taxes - current	$ 390,541	$ 105,000	$ 495,541
Net earnings for the year	$ 505,449	$ 135,608	$ 641,057

University Technologies International Inc.

Consolidated Schedule of Licensing and Royalty Revenue

For the year ended March 31, 2003

	2003		2002
	Budget	Actual	Actual
Gross revenue from licensing and royalty agreement	$ 2,544,830	$ 4,091,173	$ 1,705,153
Distribution to other parties under licensing and royalty agreements			
Inventors	1,545,634	2,106,883	892,870
Client institutions	30,975	(58,834)	34,359
	1,576,609	2,048,049	927,229
Net licensing and royalty revenue	$ 968,221	$ 2,043,124	$ 777,924

University Technologies International Inc.

Schedule 2

Consolidated Schedule of Product Development Revenue

For the year ended March 31, 2003

	2003		2002
	Budget	Actual	Actual
Revenue earned under product development agreements	$ 200,200	$ 417,282	$ 492,999
Product development expense	176,075	405,835	445,010
Investment tax credits	-	(43,066)	(156,430)
	176,075	362,769	288,580
Net product development revenue	$ 24,125	$ 54,513	$ 204,419

University Technologies International Inc.

Consolidated Schedule of Personnel Costs

For the year ended March 31, 2003

	2003					2002	
	Number of individuals	Salary[1] $	Bonus $	Benefits and allowances[2] $	Total $	Number of individuals	Total $
Chairman	1	36,000	-	-	36,000	1	36,000
Other directors	11	-	-	-	-	13	-
Senior employees							
President	1	146,000	123,150	12,741	281,891	1	256,248
Vice President	1	107,800	65,000	12,437	185,237	1	159,256

(1) Salary includes regular base pay.

(2) Benefits and allowances includes company's share of all employee benefits and contributions or payments made on behalf of employees including Canada Pension Plan, Employment Insurance, health care, dental coverage, group life insurance, and pension.

UNIVERSITY OF LETHBRIDGE

FINANCIAL STATEMENTS

MARCH 31, 2003

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Cash Flows

Statement of Changes in Net Assets

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Governors of
The University of Lethbridge

I have audited the statement of financial position of The University of Lethbridge as at March 31, 2003 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
May 23, 2003

The University of Lethbridge

STATEMENT OF FINANCIAL POSITION

As at March 31
(thousands of dollars)

		2003	2002
ASSETS			
CURRENT ASSETS			
Cash	$	3,835	4,033
Accounts receivable		3,565	4,610
Inventories		515	676
Prepaid expenses		495	418
		8,410	9,737
DEPOSIT ON CAPITAL ASSET		41	-
INVESTMENTS (Notes 3, 4)		48,819	56,675
CAPITAL ASSETS (Note 5)		138,598	137,336
COLLECTION (Note 6)		32,905	32,424
	$	228,773	236,172
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	$	4,865	5,008
Accrued payroll liabilities		3,389	3,018
Deferred revenue		572	682
Deferred tuition fees		2,634	2,311
Deferred contributions (Note 7)		5,988	6,248
Current portion of long term liabilities		1,302	1,796
		18,750	19,063
LONG TERM LIABILITIES			
Accounts payable - construction projects		528	151
Long term debt (Note 8)		-	9,746
Unfunded staff benefits (Note 9)		4,008	4,096
Deferred capital contributions (Note 10)		5,108	6,577
		9,644	20,570
UNAMORTIZED DEFERRED CAPITAL CONTRIBUTIONS (Note 11)		92,175	93,346
NET ASSETS			
Investment in capital assets and collection		79,328	66,504
Endowments (Note 12)		10,762	10,224
Internally restricted net assets (Note 13)		5,260	9,953
Unrestricted net assets		12,854	16,512
		108,204	103,193
Commitments and Contingencies (Note 21)			
	$	228,773	236,172

The accompanying notes are part of these financial statements.

The University of Lethbridge

STATEMENT OF OPERATIONS

For the Year Ended March 31
(thousands of dollars)

		2003	2002
REVENUE			
Grants	$	56,931	51,677
Tuition and related fees		27,143	24,198
Sales of services and products		9,331	9,394
Miscellaneous		2,068	2,197
Investment income (Note 14)		2,609	2,747
Gifts and donations		369	504
Amortization of deferred capital contributions (Note 11)		6,094	5,086
		104,545	95,803
EXPENSE			
Salaries		52,435	47,318
Employee benefits		9,032	8,359
Scholarships, fellowships and bursaries		2,357	2,150
Supplies and services		7,206	6,560
Cost of goods sold		2,862	2,908
Travel		2,655	2,506
Utilities		2,771	2,472
External contracted services		2,407	1,703
Repairs and maintenance		2,453	1,998
Professional fees		577	638
Interest on long term liabilities		1,419	724
Insurance		220	180
Property taxes		161	155
Loss on disposal of capital assets		199	61
Unrealized loss on write-down of investments (Note 3)		2,755	-
Amortization of capital assets		10,922	9,526
		100,431	87,258
EXCESS OF REVENUE OVER EXPENSE	$	4,114	8,545

The University of Lethbridge

STATEMENT OF CASH FLOWS

For the Year Ended March 31
(thousands of dollars)

		2003	2002
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Excess of revenue over expense	$	4,114	8,545
Non-cash transactions			
Amortization of deferred capital contributions		(6,094)	(5,086)
Amortization of capital assets		10,922	9,526
Loss on disposal of capital assets		199	61
Unrealized loss on write-down of investments		2,755	-
Decrease in unfunded staff benefits		(418)	(481)
		11,478	12,565
Increase (decrease) in non-cash operating working capital (Note 17)		1,310	(3,493)
		12,788	9,072
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:			
Deposit on capital asset		(41)	550
Sale (purchase) of investments (net)		5,101	(4,258)
Capital asset additions			
Internally funded		(7,491)	(5,959)
Externally funded		(4,923)	(13,243)
Financed		-	(2,900)
Collection additions		(2)	(25)
Proceeds on disposal of capital assets		31	41
		(7,325)	(25,794)
Increase (decrease) in construction accounts payable		377	(5,513)
		(6,948)	(31,307)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:			
Capital contributions received		3,454	13,012
Endowment contributions received		144	272
Capitalized investment earnings		274	267
Long term debt proceeds		-	2,900
Long term debt repayments		(9,910)	(255)
		(6,038)	16,196
DECREASE IN CASH		(198)	(6,039)
CASH, beginning of year		4,033	10,072
CASH, end of year	$	3,835	4,033

The University of Lethbridge

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended March 31
(thousands of dollars)

		2003					2002
		Investment in Capital Assets	Endowments	Internally Restricted	Unrestricted	TOTAL	TOTAL
BALANCE, beginning of year	$	66,504	10,224	9,953	16,512	103,193	93,228
Excess of revenue over expense		-	-	-	4,114	4,114	8,545
Direct increases (decreases) to net assets:							
Non-amortizable collection donations (Note 6)		479	-	-	-	479	856
Non-amortizable collection acquisitions (Note 6)		-	-	-	-	-	25
Endowment contributions		-	144	-	-	144	272
Capitalized investment earnings		-	274	-	-	274	267
Transfers:							
Internally funded:							
Capital asset additions		7,491	-	-	(7,491)	-	-
Non-amortizable collection acquisitions (Note 6)		2	-	-	(2)	-	-
Net book value of capital asset disposals		(145)	-	-	145	-	-
Amortization		(4,913)	-	-	4,913	-	-
Capitalized investment earnings		-	30	-	(30)	-	-
Repayment of long term debt		9,910	-	-	(9,910)	-	-
Endowments		-	90	-	(90)	-	-
Allocation to (from) internally restricted net assets (Note 13)							
Repayment of long term debt		-	-	(5,590)	5,590	-	-
Board appropriations		-	-	897	(897)	-	-
BALANCE, end of year	$	79,328	10,762	5,260	12,854	108,204	103,193

The University of Lethbridge

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2003

(thousands of dollars)

Note 1 **Authority and Purpose**

The University of Lethbridge (the "University") operates under the authority of the Universities Act, Chapter U-3, Revised Statutes of Alberta 2000, as amended. The University is dedicated to quality undergraduate and graduate studies in the tradition of liberal education, research and public service. The University is a registered charity and is exempt from payment of income tax.

Note 2 **Summary of Significant Accounting Policies and Reporting Practices**

(a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results.

(b) Revenue Recognition

Operating grants are recognized when receivable. Revenues received for the provision by the University of goods and services are recognized in the period in which the goods are provided or the services rendered.

Deferred Contributions - Externally restricted non-capital and non-endowment contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred.

Deferred Capital Contributions and Unamortized Deferred Capital Contributions - Contributions externally restricted for the acquisition of capital assets having limited lives are deferred and recorded as deferred capital contributions in the period in which they are received. Deferred capital contributions are transferred to unamortized deferred capital contributions when expended and are amortized to revenue over the useful lives of the related assets.

Endowments - Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost or replacement cost.

(d) Investments

Investments are recorded at cost or amortized cost where applicable. Amortization of premiums or discounts is calculated on a straight-line basis from acquisition date to maturity. Capital gains or losses are recognized in the year of disposal or when there is other than a temporary decline in the value of the investment.

(e) Capital Assets

Capital assets purchased by the University are recorded at cost. Donated assets are recorded at fair values when a fair value is reasonably determinable. Where a fair value is not reasonably determinable the assets are recorded at nominal value.

Capital assets, except construction projects which are amortized upon completion, are amortized on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are as follows:

Land improvements	10-25 years
Buildings - Exterior	40 years
Buildings - Interior	20 years
Leasehold improvements	15 years
Furnishings and equipment	5-10 years
Computer equipment	3-5 years
Electrical equipment	20 years
Software	3-5 years
Vehicles	6 years
Learning resources	10 years

(f) Collection

Collection assets purchased by the University are recorded at cost. Donated collection assets are recorded at fair values.

The collection consists of works of art which are held for educational and public exhibition purposes.

(g) Pension Plan

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the Universities Academic Pension Plan and the Public Service Pension Plan. The University's portion of the pension plans' deficit or surplus is not recorded by the University.

(h) Pledges Receivable

Pledges receivable are not recorded as assets in these financial statements.

(i) Contributed Services

Volunteers, as well as members of the staff of the University, contribute an indeterminable number of hours per year to assist the institution in carrying out its mission of post secondary and graduate education, research and public service. Such contributed services are not recognized in the financial statements.

(j) Financial Instruments

The carrying values of financial assets and financial liabilities approximate fair value unless otherwise disclosed.

(k) Credit, Interest Rate and Market Risk

The University's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

The interest rate risk is the risk to the University's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates.

The market risk is the risk to the University's earnings that arises from the fluctuations and degree of volatility in the market value of its long term investments.

Note 3 Investments

	2003				2002			
	Carrying Value	Market Value	Realized Return	Market Return	Carrying Value	Market Value	Realized Return	Market Return
Cash and short term deposits	$6,491	$6,491	0.76%	0.90%	$7,107	$7,109	2.69%	3.60%
Bonds and debentures	18,861	19,425	6.41%	10.40%	22,338	22,108	5.63%	5.20%
Stocks	23,248	23,366	6.25%	-23.56%	27,053	33,585	4.28%	9.30%
Other investments	219	219			177	177		
	$48,819	$49,501			$56,675	$62,979		

Realized return includes interest and dividend income and gains and losses incurred on disposal of investments. Market return includes both realized return and unrealized gains and losses on investments due to market fluctuations.

The carrying value of stocks was written down by $2,755 at March 31, 2003 to recognize declines in market value that are considered to be other than temporary.

Foreign exchange gains of $45 were realized during the year (2002: $123). As of March 31 net unrealized exchange losses totalled $608 (2002: $1,207 unrealized gains).

Bonds and debentures consists of the following:

	2003			2002		
	Carrying Value	Market Value	Effective Yield	Carrying Value	Market Value	Effective Yield
Short term (three years or less to maturity)	$ 151	$ 154	3.30%	-	-	-
Medium term (four to ten years to maturity)	13,221	13,660	5.61%	18,531	18,360	5.68%
Long term (greater than ten years to maturity)	5,489	5,611	5.86%	3,807	3,748	6.01%
	$ 18,861	$ 19,425	5.66%	$22,338	$22,108	5.73%

The Board of Governors, through its Finance Committee, monitors the performance of the investment manager as well as compliance to the Investment Management Policy which includes benchmarks for performance and standards for quality, type and diversification of investments. The prime directive of the Committee is to protect the University's assets, provide a stream of income and maintain reasonable costs relating to managing the investments. An external consultant is appointed by the Committee to measure and report, on a quarterly basis, the investment portfolio's performance and the investment manager's compliance to the Policy.

Investments are managed by an investment manager. The investment portfolio consists of a balanced fund.

The balanced fund policy mix standard is as follows:

Permissible assets	Policy Standard	Allowable Ranges
Short term/cash	5%	0% - 40%
Bonds	35%	2[illegible]% - 70%
Canadian equities	20%	10% - 40%
U.S. equities	25%	10% - 50%
Global equities	15%	0% - 30%
	100%	

Bond investments must have a rating of BBB-plus or better and the short term portfolio must be rated at least R-1, mid (or equivalent) as per the Dominion Bond Rating Service.

Short term investments are held on average for less than three months and bonds are held on average less than five years. Bonds in the portfolio have maturity dates between three and twenty-six years, with an average maturity date of seven years.

Note 4 Interest in Joint Venture

The University has a one-third joint venture interest in the Campus Alberta: Graduate Program in Counselling. Three Alberta universities formed the joint venture to develop and deliver a Collaborative Alberta Graduate Counselling Program.

The University's equity in the accumulated earnings of the joint venture at March 31, 2003 is $123 (2002 - $80) and is included in Other Investments (Note 3).

At March 31, 2003 the University's share of the joint venture's assets and liabilities are:

	2003	2002
Current assets [1]	$ 282	$ 209
Capital assets	10	8
	$ 292	$ 217
Current liabilities	$ 159	$ 129
Deferred capital contributions	10	8
Joint venture interest	123	80
	$ 292	$ 217

[1] Included in current assets is a receivable of $137 (2002 - $159) from Athabasca University, a related party, for operating funds that are being administered on behalf of the joint venture.

The University's share of joint venture earnings for the year ending March 31, 2003 is $32 which is one-third of the net of total revenues of $872 less total expenses of $776.

At March 31, 2003 Athabasca University has a Joint Venture net liability of $287 (2002 - $398), comprising $410 (2002 - $478) operating funds belonging to the Joint Venture less $123 (2002 - $80) of the University's equity in accumulated earnings.

Note 5 Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 638	$ -	$ 638	$ 638
Buildings and land improvements	166,469	50,176	116,293	116,692
Construction projects	1,011	-	1,011	366
Furnishings and equipment	44,263	29,696	14,567	13,863
Learning resources	20,600	14,511	6,089	5,777
	$ 232,981	$ 94,383	$ 138,598	$ 137,336

Construction projects include the new residences as well as planning costs for the Cultural/Wellness Centre and the Centre for Leadership and Change.

Capital asset additions during the year included $73 in donations in kind for learning resources (2002: $10), and $330 in donations in kind for furnishings and equipment (2002 - $0).

Note 6 Collection

	2003	2002
Balance, beginning of year	$ 32,424	$ 31,543
Donations	479	856
Acquisitions	2	25
Balance, end of year	$ 32,905	$ 32,424

The art collection contains approximately 14,000 objects.

Note 7 Deferred Contributions

Deferred contributions represent contributions received for restricted purposes that remain unspent at March 31. Changes in the deferred contributions balance are as follows:

	2003	2002
Balance, beginning of year	$ 6,248	$ 10,978
Contributions received	8,409	7,899
Transfer to:		
Non-amortizable collection	-	(25)
Revenue	(6,766)	(6,414)
Deferred Capital Contributions (Note 10)	(1,903)	(6,190)
Balance, end of year	$ 5,988	$ 6,248

Balance consists of:

	2003	2002
Operating (restricted grants)	$ -	$ 234
Sponsored Research	3,554	3,697
Special Purpose	526	512
Scholarships, Bursaries and Other Trust Funds	1,908	1,805
	$ 5,988	$ 6,248

Note 8 Long Term Debt

	Rate of Interest	Original Advance	Amount Outstanding	
			2003	2002
Bank of Montreal Loan for Library and Information Network Centre, due July 1, 2026	6.82%	10,000	-	9,910
			-	9,910
Less: current portion			-	(164)
			$ -	$ 9,746

The Bank of Montreal long-term debt agreement was terminated during the year.

In February 2003 the Board of Governors approved a motion to borrow $4 million for a student housing project (see Note 21). The loan was taken out in April 2003 and is payable at 6% over 20 years. Payments will be $349 per year.

Note 9

Unfunded Staff Benefits

	2003	2002
Early retirement benefits	$ 1,658	$ 2,299
Senior administrative leaves	3,042	2,975
Supplementary benefit plan	509	354
Long-term disability benefits	101	100
	5,310	5,728
Less: current portion	(1,302)	(1,632)
	$ 4,008	$ 4,096

Early retirement benefits, senior administrative leaves and long-term disability benefits are carried at their net present value. The discount rate used is the blended realized rate of return earned on externally managed investments. The current rate for the year was 5.5%.

The net present value of any remaining early retirement benefits is paid to the retiree's beneficiary in the case of death. Therefore, no actuarial assumptions are used to determine the value of the benefits.

Senior administrative leaves are accrued based on years of service to the University as a senior administrator. These leaves are normally taken at the end of the administrative service.

The supplementary benefit plan is a defined contribution plan.

Long-term disability benefits are calculated according to the terms of the negotiated contracts held with the various employee groups.

Payments in the next five years for unfunded staff benefits are approximately as follows:

2004	$ 1,302
2005	546
2006	493
2007	357
2008	192

Note 10

Deferred Capital Contributions

Deferred capital contributions represent capital funds received from external sources for specific purposes that remain unspent at March 31. Changes in the deferred capital contributions balance are as follows:

	2003	2002
Balance, beginning of year	$ 6,577	$ 6,833
Contributions received	1,551	6,797
Transfers from (to):		
Deferred Contributions (Note 7)	1,903	6,190
Unamortized Deferred Capital Contributions (Note 11)	(4,923)	(13,243)
Balance, end of year	$ 5,108	$ 6,577

The deferred contributions balance includes grants received for infrastructure renewal and donations toward the Cultural/Wellness Centre and the Centre for Leadership and Change.

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets which will be recognized as revenue in future periods. Changes in unamortized deferred capital contributions are as follows:

	2003	2002
Balance, beginning of year	$ 93,346	$ 85,189
Transfer from (to)		
Deferred Capital Contributions (Note 10)	4,923	13,243
Revenue		
Amortization of deferred capital contributions	(6,009)	(5,069)
Capital asset disposals (net)	(85)	(17)
Balance, end of year	$ 92,175	$ 93,346

Note 12 Endowments

	2003			2002		
	Externally Restricted	Internally Restricted	Total	Externally Restricted	Internally Restricted	Total
Contributions	$8,085	$1,072	$9,157	$7,941	962	8,923
Capitalized investment income	1,514	91	1,605	1,240	61	1,301
	$9,599	$1,163	$10,762	9,181	1,043	10,224

Endowments consist of restricted donations to the University, the principal of which is required to be maintained intact in perpetuity, and internal allocations by the Board of Governors. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors, as well as University policy, stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Note 13 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the Board of Governors for specific needs such as one-time expenditures for increasing efficiency, reducing costs or providing for contingencies.

	2003	2002
OPERATING:		
Staff training and development	$ 175	$ 362
Academic development	20	218
Campus planning studies	160	73
International affairs	6	8
Utilities contingency - rate increases	50	420
Enrollment management	-	15
Program development	146	472
	557	1,568
CAPITAL:		
Capital replacement - Ancillary Services	2,168	4,269
Housing Services - residences	895	1,632
Capital equipment	725	1,844
Buildings and plant	193	105
Site and utilities	37	183
Utility conservation	170	110
Self insurance	178	133
Parking services	273	75
Service vehicles and equipment	64	34
	4,703	8,385
	$ 5,260	$ 9,953

During the year $5,590 was withdrawn from internally restricted net assets to self-finance the long-term debt for the Library and Information Network Centre. The University will replenish $4,011 of this amount to internally restricted net assets over the next nine years through allocations from the yearly operating budget as follows:

2004	$375
2005	375
2006	375
2007	374
2008	370
2009	355
2010	357
2011	855
2012	575

Note 14 Investment Income

	2003	2002
Total investment income for the year	$ 2,944	$ 3,029
Transfers to:		
Endowments - externally restricted	(274)	(267)
Deferred contributions	(61)	(15)
Total investment income recognized as revenue	$ 2,609	$ 2,747

Note 15 **Salaries and Employee Benefits**

A Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires the disclosure of certain salary and employee benefit information.

	2003			2002
	Salary [1]	Benefits and Allowances [2]	Total	Total
Board of Governors [3]	$ -	$ -	$ -	$ -
President [4]	200	70	270	247
Executives				
Vice-President (Academic) [4]	188	50	238	221
Vice-President (Finance & Administration)	151	30	181	161
Dean of Management [5]	205	33	238	213
Dean of Graduate Studies	148	24	172	159
Accrual of senior administrative leaves [6]				
President		58	58	52
Vice-President (Academic)		77	77	71
Vice-President (Finance & Administration)		43	43	36
Dean of Management [7]		33	33	54
Dean of Graduate Studies		65	65	58

[1] Salary includes regular base pay, administrative stipends and any other direct remuneration.

[2] Benefits and allowances include employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans, vision care plan, supplementary benefit plan and professional supplement allowance.

[3] Members of the Board of Governors receive no remuneration for participation on the Board.

[4] Benefits and allowances figure includes housing allowance.

[5] Two individuals held the position in the current year.

[6] Leaves are accrued for senior administrators at a rate of one month for every five months served. During the leave, all salaries and benefits excluding any housing allowances are paid. Cash payments in lieu of administrative leave are not permitted, nor is it possible under Board policy to work for another institution or organization while on leave. Normally, administrative leave is taken immediately after leaving office.

The accrual is calculated based on the cumulative number of months of leave earned by each individual to March 31 at his/her current salary and benefits rates. The nominal value was projected to the date the leave is expected to be taken, and discounted back to the present using a current market interest rate of 5.5%.

[7] Accrual is for new Dean who started July 1, 2002 (nine months' service).

Note 16 Pension Costs

The pension expense recorded in these financial statements is equivalent to the University's annual contributions payable of $2,850 for the year ended March 31, 2003 (2002 - $2,544).

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings.

At December 31, 2002, the Universities Academic Pension Plan reported an actuarial deficiency of $327,372 (2001 - $151,996). An actuarial valuation of the Universities Academic Pension Plan was done December 31, 2000 and was then extrapolated to December 31, 2002. The extrapolation did not include the impact of increases in the maximum pensionable salary amount proposed in the 2003 Federal Budget. The next actuarial valuation of the Universities Academic Pension Plan is required to be completed by the end of December 2003.

At December 31, 2002, the Public Service Pension Plan reported an actuarial deficiency of $175,528 (2001 - surplus of $320,487). An actuarial valuation of the Plan was carried out as at December 31, 2000 which was then extrapolated for the December 31, 2002 financial statements. The next actuarial valuation will be carried out as at December 31, 2002 and any differences between the valuation and extrapolation results will be reported as gains or losses in the December 31, 2003 financial statements of the Plan.

Note 17 Change in Non-Cash Operating Working Capital

	2003	2002
Accounts receivable	$ 1,045	$ (703)
Inventories	161	(186)
Prepaid expenses	(77)	14
Accounts payable	(143)	1,222
Accrued payroll liabilities	371	519
Deferred revenue	(110)	(339)
Deferred tuition fees	323	710
Deferred contributions	(260)	(4,730)
Increase (decrease) in non-cash operating working capital	$ 1,310	$ (3,493)

Note 18 **Budget**

The University is required to submit a budget, approved by the Board of Governors of the University, to the Minister of Alberta Learning for his approval. The 2002/03 budget was approved by the Board on March 21, 2002.

Unrestricted Funds Budget

	2003								2002	
	General Operating		Ancillary Services		Access & Other		Total			
	Original Budget	Total Actual	Original Budget	Total Actual	Original Budget	Total Actual	Original Budget	Total Actual	Original Budget	Total Actual
REVENUE										
Grants	$40,718	$ 42,572	$ -	$ 15	$ 6,702	$ 7,016	$47,420	$49,603	$37,874	$45,393
Tuition and related fees	20,992	23,582	820	876	2,941	2,685	24,753	27,143	19,926	24,198
Sales of services and products	2,916	1,218	8,235	8,087	-	26	11,151	9,331	8,963	9,394
Miscellaneous	1,833	1,747	49	41	88	162	1,970	1,950	580	2,037
Investment income	1,500	2,048	182	64	-	183	1,682	2,295	1,539	2,498
Gifts and donations	-	34	-	132	-	48	-	214	-	258
Amortization of deferred capital contributions	4,898	6,094	-	-	-	-	4,898	6,094	6,628	5,086
	72,857	77,295	9,286	9,215	9,731	10,120	91,874	96,630	75,510	88,864
EXPENSE										
Salaries and benefits	49,262	50,701	3,446	3,204	6,635	4,381	59,343	58,286	48,073	53,033
Scholarships, fellowships and bursaries	488	889	-	60	50	334	538	1,283	643	1,159
Supplies and services	4,455	3,728	997	1,561	2,401	587	7,853	5,876	4,601	5,687
Cost of goods sold	185	178	2,593	2,684	-	-	2,778	2,862	2,674	2,908
Travel	868	1,341	307	423	134	354	1,309	2,118	1,032	1,960
Utilities	2,801	2,199	364	418	-	153	3,165	2,770	2,052	2,472
External contracted services	777	1,444	616	443	-	131	1,393	2,018	1,594	1,499
Repairs and Maintenance	2,356	1,036	-	62	-	11	2,356	1,109	-	927
Professional fees	332	405	2	88	-	29	334	522	299	546
Interest on long term liabilities	528	1,419	18	-	-	-	546	1,419	254	224
Insurance	167	153	9	14	-	52	176	219	437	164
Property taxes	-	3	153	148	-	7	153	158	150	153
Loss on disposal of capital assets	-	193	-	6	-	-	-	199	-	61
Unrealized loss on write-down of investments	-	2,755	-	-	-	-	-	2,755	-	-
Amortization of capital assets	9,255	10,705	164	217	267	-	9,686	10,922	9,073	9,526
Provisions	1,383	-	270	-	244	-	1,897	-	3,970	-
	72,857	77,149	8,939	9,328	9,731	6,039	91,527	92,516	74,852	80,319
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	$ -	$ 146	$ 347	$ (113)	$ -	$ 4,081	$ 347	$ 4,114	$ 658	$ 8,545

The supplies and services budget includes provisions for contingencies which are subject to reallocation throughout the year. These contingency budgets are used primarily for salaries and benefits. Actual expenses are recorded in the appropriate expense categories.

Note 18 **Budget (continued)**

Restricted Funds Budget

	2003		2002	
	Original Budget	Total Actual	Original Budget	Total Actual
REVENUE				
Grants	$2,063	$ 7,328	$3,137	$6,284
Tuition and related fees	-	-	-	-
Sales of services and products	-	-	-	-
Miscellaneous	1,827	118	784	160
Investment income	800	314	832	249
Gifts and donations	869	155	644	246
Amortization of deferred capital contributions	-	-	-	-
	5,559	7,915	5,397	6,939
EXPENSE				
Salaries and benefits	2,568	3,181	2,494	2,644
Scholarships, fellowships and bursaries	531	1,074	752	991
Supplies and services	1,231	1,330	911	873
Cost of goods sold	-	-	-	-
Travel	656	537	742	546
Utilities	3	1	3	-
External contracted services	531	389	457	204
Repairs and maintenance	-	1,344	-	1,071
Professional fees	37	55	37	92
Interest on long term liabilities	-	-	-	500
Insurance	2	1	1	16
Property taxes	-	3	-	2
Loss on disposal of capital assts	-	-	-	-
Unrealized loss on write-down of investments	-	-	-	-
Amortization of capital assets	-	-	-	-
Provisions	-	-	-	-
	5,559	7,915	5,397	6,939
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	$ -	$ -	$ -	$ -

Total Unrestricted and Restricted Fund Budgets

	2003		2002	
	Original Budget	Total Actual	Original Budget	Total Actual
REVENUE				
Grants	$49,483	$ 56,931	$ 41,011	$ 51,677
Tuition and related fees	24,753	27,143	19,926	24,198
Sales of services and products	11,151	9,331	8,963	9,394
Miscellaneous	3,797	2,068	1,364	2,197
Investment income	2,482	2,609	2,371	2,747
Gifts and donations	869	369	644	504
Amortization of deferred capital contributions	4,898	6,094	6,628	5,086
	97,433	104,545	80,907	95,803
EXPENSE				
Salaries and benefits	61,911	61,467	50,567	55,677
Scholarships, fellowships and bursaries	1,069	2,357	1,395	2,150
Supplies and services	9,084	7,206	5,512	6,560
Cost of goods sold	2,778	2,862	2,674	2,908
Travel	1,965	2,655	1,774	2,506
Utilities	3,168	2,771	2,055	2,472
External contracted services	1,924	2,407	2,051	1,703
Repairs and maintenance	2,356	2,453	-	1,998
Professional fees	371	577	336	638
Interest on long term liabilities	546	1,419	254	724
Insurance	178	220	438	180
Property taxes	153	161	150	155
Loss on disposal of capital assts	-	199	-	61
Unrealized loss on write-down of investments	-	2,755	-	-
Amortization of capital assets	9,686	10,922	9,073	9,526
Provisions	1,897	-	3,970	-
	97,086	100,431	80,249	87,258
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	$ 347	$ 4,114	$ 658	$ 8,545

Restricted funds include Restricted Operating, Restricted Capital, Sponsored Research, Special Purpose and Scholarships, Bursaries and Other Trust Funds. The revenue is provided to the University by third parties who place specific requirements on the funding. There is no excess of revenue over expense on these funds as any unused funds at the end of the fiscal period are transferred to Deferred Contributions and/or Deferred Capital Contributions. These deferred amounts can only be accessed in future years by meeting the restrictions of the funding.

Note 19 **Related Party Transactions**

a) University of Lethbridge Foundation

On January 27, 1999 the Trustees approved the wind-up of the Foundation in anticipation of the repeal of the Advanced Education Foundations Act. The Trustees have requested Alberta Learning to make provisions in legislation that any residual assets of the Foundation and any bequests, testamentary gifts or similar benefits to the University of Lethbridge Foundation become the property of the Board of Governors of The University of Lethbridge. Consequently, there was no activity in the Foundation during the year and no assets were held by the Foundation as at March 31, 2003.

b) Province of Alberta

The University of Lethbridge is a Provincial Corporation as all members of the Board of Governors are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Learning. Transactions between the University and the Province are disclosed as follows:

	2003			2002
	Unrestricted	Restricted	Total	Total
Operating grants	$ 41,638	$ -	$41,638	$37,859
Access Fund	7,000	-	7,000	6,205
Faculty and Staff Retention	493	-	493	1,525
Unfunded Enrolment Growth	141	-	141	272
Campus Alberta Graduate Program	127	-	127	117
International Education	26	10	36	4
Other	7	-	7	153
Infrastructure Renewal Envelope	-	2,338	2,338	4,227
Research Investment Program	-	477	477	112
Curriculum Redevelopment	-	216	216	105
Alberta Initiative for School Improvement	-	30	30	-
Strategic Research Initiative	-	-	-	950
Research Excellence Envelope	-	-	-	210
Total Contributions Received	49,432	3,071	52,503	$51,739
Less: Deferred Contributions	-	(411)	(411)	(382)
Deferred Capital Contributions	-	(950)	(950)	(3,396)
Transferred to Statement of Operations	$ 49,432	$ 1,710	$ 51,142	$ 47,961

Restricted grants are recognized as revenue in the period in which the related expenses are incurred.

The total contributions received for unrestricted grants includes $871 in accounts receivable.

In 2003 and 2002 the University participated in offering certain courses with other public colleges, universities and institutes. The revenues and expenses incurred for these courses have been included in the statement of operations but have not been separately disclosed.

The University has an arrangement with Athabasca University and University of Calgary to offer a graduate program in Counselling. These transactions were entered into on the same business terms as with non-related parties and are recorded at their fair value amounts. The University's share of revenue and expenses have been recorded using the equity method of accounting (Note 4).

Note 20 Pledges Receivable

As of March 31, 2003 the estimated realizable value of pledges receivable is $530 in support of the following projects:

Library and Information Network Centre	$	151
Centre for Leadership and Change		319
Multimedia Centre		60

The pledges are expected to be received over the next three years and have not been recorded in the financial statements.

Note 21 Commitments and Contingencies

The University, in the conduct of its normal activities, is a defendant in a number of legal proceedings. While the ultimate outcome of these proceedings cannot be predicted at this time, it is the opinion of management and the University's legal counsel that adequate provision for these proceedings has been made in the University's accounts. It is believed that the resolution of the proceedings will not have a material effect on the financial position of the University, however, should any additional loss result from the resolution of these proceedings, such amounts would be charged against earnings in the year incurred.

The University is one of the members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risk of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through the members' premiums. At December 31, 2002 CURIE had a surplus of $4,072 (2001 - $7,226) of which the University's pro rata share is approximately .97% (2001 - .96%) on an ongoing basis.

The University has a ten-year lease on teaching facilities used in Edmonton. The lease expires October 2007 with an option to terminate upon six months' notice plus six months' basic rent and occupancy costs. Basic rent is $6.50 per square foot. Occupancy costs are based on a proportionate share of total building costs. In fiscal 2003 and 2002 basic rent totalled $88. In 2003 occupancy costs were $89 (2002 - $85).

In order to manage its exposure to the volatility in the electrical industry, the University entered into a five-year contract effective January 1, 2001 to fix its electrical cost at an average cost of $0.115 per KWh. The total cost for the year ending March 31, 2004 is expected to be $2,300. The cost of electricity included in these statements for fiscal 2003 is $1,964.

Flooding in June 2002 damaged a recently constructed University building. The cost of repairs to date in the amount of $172 has been recognized as expense in these financial statements. Further repairs, the amount of which has not been estimated, are expected to be undertaken in 2004. The University is seeking recovery of the costs for the repairs. It is not possible at this time to determine whether any amount will be recovered. Any amounts estimated to be recovered will be recorded when the estimated recovery is likely.

At March 31, 2003 a construction project was in progress to construct a 96-bed student residence. Total contract costs are $5,033. $4,000 of the project cost will be financed from long-term debt. The project will be completed during fiscal 2004.

Note 22 Comparative Figures

Certain 2002 figures have been reclassified to conform to 2003 financial statement presentation.

Note 23 Approval of Financial Statements

These financial statements have been approved by the Board of Governors following the recommendation of the Audit Committee.

THE BANFF CENTRE FOR CONTINUING EDUCATION
Financial Statements

For the year ended March 31, 2003

Auditor's Report

Financial Statements:

- Balance Sheet
- Statement of Operations and Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

Deloitte & Touche LLP
3000, 700 Second Street SW
Calgary AB Canada T2P 0S7

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Auditors' Report

To **The Board of Governors of**
The Banff Centre for Continuing Education:

We have audited the balance sheets of **The Banff Centre for Continuing Education** as at March 31, 2003 and 2002 and the statements of operations and changes in net assets and cash flows for the year ended March 31, 2003 and for the six-month period from October 1, 2001 to March 31, 2002. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2003 and 2002 and the results of its operations and its cash flows for the year ended March 31, 2003 and the six-month period from October 1, 2001 to March 31, 2002 in accordance with Canadian generally accepted accounting principles.

The financial statements as at and for the year ended September 30, 2001 were audited by other auditors who expressed an opinion without reservation on those financial statements in their report dated November 30, 2001.

Deloitte & Touche LLP

Calgary, Alberta
June 6, 2003

Chartered Accountants

THE BANFF CENTRE FOR CONTINUING EDUCATION
BALANCE SHEET
AS AT MARCH 31, 2003

(in thousands of dollars)

	As at March 31, 2003	As at March 31, 2002
ASSETS		
Current assets:		
Cash	$ 434	$ 736
Short-term investments (Note 6)	1,407	-
Accounts receivable (Note 3)	1,693	2,394
Inventories	458	357
Prepaid expenses	191	220
	4,183	3,707
Long-term pledges receivable (Note 4)	-	57
Note receivable (Note 5)	473	473
Long-term investments (Note 6)		
Endowments	6,341	6,379
Other	47	70
Capital assets (Note 7)	48,328	47,078
	$ 59,372	$ 57,764
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 2,208	$ 1,807
Accrued vacation pay	1,054	956
Unearned revenue (Note 8)	683	380
Deferred contributions (Note 9)	1,501	1,196
Long-term debt due within one year (Note 10)	3,893	410
	9,339	4,749
Deferred contributions (Note 9)	1,458	2,751
Long-term debt (Note 10)	64	3,969
Deferred expended capital contributions (Note 11)	34,184	33,015
	45,045	44,484
NET ASSETS		
Operating net assets (Note 12)	7,986	6,901
Endowments (Notes 6 & 13)	6,341	6,379
	14,327	13,280
	$ 59,372	$ 57,764

The accompanying notes are part of these financial statements.

THE BANFF CENTRE FOR CONTINUING EDUCATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2003

(in thousands of dollars)

	Year Ended March 31, 2003	Six Months Ended March 31, 2002	Year Ended September 30, 2001
Revenue			
Accommodation	$ 12,840	$ 4,831	$ 12,415
Grants (Note 9 and 15)	13,815	5,872	11,835
Sales, rentals and services	6,462	2,760	6,307
Tuition and related fees	5,045	2,794	5,240
Donations and other contributions	2,742	1,261	1,723
Investment income	39	81	498
Amortization of deferred expended capital contributions (Note 11)	1,657	841	1,907
	42,600	18,440	39,925
Expenses			
Salaries, wages and benefits (Note 16)	21,508	9,740	20,328
Purchased services	3,623	1,571	3,271
Travel and related	1,503	655	1,876
Scholarships and financial assistance	2,953	1,001	2,850
Facility operating	3,310	1,437	2,957
Supplies and materials	3,928	1,540	4,028
Vehicles and equipment	1,304	613	1,230
Marketing and promotion	514	273	921
Financial costs	661	712	760
Amortization of capital assets	2,209	1,122	2,510
Loss on disposal of capital assets	2	13	41
	41,515	18,677	40,772
Net income (loss)	1,085	(237)	(847)
Net assets at beginning of period	13,280	13,365	14,019
Endowment contributions (Note 13)	450	152	193
Endowment - indexed gain (loss) (Note 13)	(488)	-	-
Net assets at end of period	$ 14,327	$ 13,280	$ 13,365

The accompanying notes are part of these financial statements.

THE BANFF CENTRE FOR CONTINUING EDUCATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2003
(in thousands of dollars)

	Year Ended March 31, 2003	Six Months Ended March 31, 2002	Year Ended September 30, 2001
Cash flows from (used in) operating activities			
Net income (loss)	$ 1,085	$ (237)	$ (847)
Non-cash transactions:			
Amortization of deferred expended capital contributions	(1,657)	(841)	(1,907)
Amortization and loss on disposal of capital assets	2,211	1,135	2,551
Changes in non-cash working capital (Note 14)	1,151	144	1,543
Changes in pledges receivable (Note 4)	337	(88)	544
Changes in deferred contributions related to operations (Note 9)	(414)	203	(893)
Net cash from (used in) operating activities	2,713	316	991
Cash flows from (used in) investing activities			
Acquisition of capital assets (Notes 11 & 12)	(3,438)	(476)	(1,409)
Acquisition of long-term note receivable	-	-	(473)
Acquisition of short-term investments	(1,407)	-	-
Acquisition of long-term investments	(427)	(195)	(383)
Net cash from (used in) investing activities	(5,272)	(671)	(2,265)
Cash flows from (used in) financing activities			
Capital contributions received	2,255	22	2,200
Principal repayments of long-term debt	(448)	(223)	(275)
Endowment contributions received	450	152	193
Net cash from (used in) financing activities	2,257	(49)	2,118
Increase (decrease) in cash	(302)	(404)	844
Cash at beginning of period	736	1,140	296
Cash at end of period	$ 434	$ 736	$ 1,140

The accompanying notes are part of these financial statements.

Note 1 Authority and purpose

The Banff Centre for Continuing Education (the "Centre") operates under the authority of the Banff Centre Act, Chapter B-1, Revised Statutes of Alberta 1980, as amended. The Centre is a registered charity and is exempt, under Section 149 of the Income Tax Act, from payment of income tax.

The Centre provides public access to a broad range of learning and professional development experiences with emphasis on the arts, leadership development, and the exploration of issues related to mountain culture and the environment.

The Banff Centre Act specifies that the fiscal year shall be determined by the Minister of Alberta Learning. The Minister of Alberta Learning has approved the change of the Centre's fiscal year end to March 31.

Note 2 Significant accounting policies and reporting practices

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and the following significant accounting policies and reporting practices:

(a) Revenue Recognition

The Centre follows the deferral method of accounting for contributions.

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are deferred until that future period.

Amounts received for tuition fees and sales of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Any externally restricted contributions containing stipulations that the amounts and related earnings should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to deferred expended capital contributions. Deferred expended capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and capital contributions revenue are matched to indicate that the related amortization expense has been funded externally.

Unrestricted contributions are recognized as revenue when received.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

(b) Scholarships and Financial Assistance

Scholarships and financial assistance include payments to resident artists and other participants for tuition fees, accommodation and other financial aid.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(d) Pledges Receivable

Pledges receivable are recorded as assets when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

(e) Long-term Investments

Long-term investments are recorded at cost. Gains and losses on investments are recognized at liquidation, or when there is a permanent impairment in the value of an investment.

(f) Capital Assets

Capital assets are recorded at cost, except donated assets, which are recorded at fair value. Capital assets, except property under development and artwork collection, are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings and improvements	50 years
Furnishings and equipment	10 years

The useful lives have been estimated by management and will inevitably differ from actual, perhaps significantly, resulting in amortization expense not matching utilization over the assets' lives. No amortization expense is recorded in the year of acquisition.

Artworks are recorded at cost if purchased or at the appraised value at the time of donation. Artworks are not amortized. The artwork collection is made up of numerous pieces of art that are held for display in the Walter Phillips Gallery and other public areas of the Centre.

(g) Employee Future Benefits

The Centre's pension plans are multiemployer plans and are accounted for using the defined contribution method. Under this method contributions made during the period are charged as pension expense to current operations and included in salaries, wages and benefits.

(h) Use of Estimates

These financial statements are prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Note 3 Accounts receivable

	March 31, 2003	March 31, 2002
Trade accounts receivable	$ 465	$ 1,090
Other amounts due	23	116
Deferred scholarships	1,155	858
	1,643	2,064
Current portion of pledges receivable (Note 4)	50	330
	$ 1,693	$ 2,394

Note 4 Long-term pledges receivable

	March 31, 2003	March 31, 2002
Creative Edge capital pledges	$ -	$ 7
Other non-capital pledges	50	380
	50	387
Less: Current portion of pledges receivable (Note 3)	50	330
	$ -	$ 57

Note 5 Note receivable

During 2001, the Centre advanced $473,000 to Rocky Mountain Housing Cooperative. The amount is repayable in 2019, bears interest at prime minus 3%, and is unsecured. As part of this transaction the Centre agreed to lease 12 accommodation units until 2019. This lease commitment of $3,114,000 is included in the schedule of lease commitments in Note 10.

Note 6 Investments

(a) Short-term

Short-term investments comprise Money Market Mutual Funds and Treasury Bill Funds the market value of which approximates the carrying value represented on the statements.

(b) Long-term

(i) Endowments

	March 31, 2003		March 31, 2002	
	Cost	Market Value	Cost	Market Value
Cash	$ 731	$ 731	$ 140	$ 140
Government debt	1,265	1,260	1,582	1,545
Corporate debt	893	893	811	803
Equities	3,452	3,017	3,846	3,728
	$ 6,341	$ 5,901	$ 6,379	$ 6,216

Market value is less than cost. It is the opinion of management that the change in value is temporary due to the nature of the investment portfolio, and accordingly no impairment has been recognized.

(ii) Other

Included in other investments is $47,000 (2002 - $57,000) due from the Banff School of Advanced Management ("BSAM"). The amount is unsecured and non-interest bearing. The Chief Executive Officer of the Centre is a director of BSAM.

Note 7 Capital assets

	March 31, 2003 Cost	March 31, 2003 Accumulated Amortization	March 31, 2003 Net Book Value	March 31, 2002 Cost	March 31, 2002 Accumulated Amortization	March 31, 2002 Net Book Value
Land improvements	$ 2,615	$ 1,953	$ 662	$ 2,562	$ 1,872	$ 690
Buildings and improvements	70,294	26,960	43,334	67,584	25,624	41,960
Furnishings and equipment	19,552	16,813	2,739	19,236	16,396	2,840
Equipment under capital lease	503	48	455	475	-	475
Artwork collection	1,138	-	1,138	1,113	-	1,113
	$ 94,102	$ 45,774	$ 48,328	$ 90,970	$ 43,892	$ 47,078

Land is leased from the Government of Canada. The current lease expires on July 31, 2043, and is renewable.

Note 8 Unearned revenue

	March 31, 2003	March 31, 2002
Accommodation deposits	$ 213	$ 7
Other sales and services	470	373
	$ 683	$ 380

Note 9 Deferred contributions

	March 31, 2003	March 31, 2002
Deferred contributions at beginning of period	$ 3,947	$ 3,725
Contributions received:		
Capital	2,255	22
Operating	16,670	7,374
Endowment income (loss) capitalized (Note 13)	(488)	43
Transferred to operations		
Grants (Note 15)	(13,815)	(5,872)
Donations and other contributions	(2,742)	(1,261)
Financial income	(39)	(81)
Transferred to deferred expended capital contributions (Note 11)	(2,829)	(3)
Deferred contributions at end of period	$ 2,959	$ 3,947
Deferred contributions are comprised of:		
Capital	$ 1,458	$ 2,032
Non-capital	1,501	1,915
	2,959	3,947
Less: Current portion of non-capital deferred contributions	1,501	1,196
	$ 1,458	$ 2,751

Note 10 Long-term debt and lease commitments

	March 31, 2003	March 31, 2002
Term Loan - Professional Development Centre	$ 3,738	$ 4,052
Capital Leases	219	327
	$ 3,957	$ 4,379
Less: Current portion	3,893	410
	$ 64	$ 3,969

Future minimum repayments are as follows:

Year Ending March 31	Professional Development Centre	Capital Leases		Operating Leases
		Principal	Interest	
2004	$ 275	$ 155	$ 11	$ 649
2005	275	55	2	493
2006	3,188	9	1	232
2007	-	-	-	254
2008 to 2019	-	-	-	2,323
	$ 3,738	$ 219	$ 14	$ 3,951

The term loan is unsecured and is structured with fixed rate principal repayment of $275,000 per annum until the renewal date on December 17, 2005 at an interest rate of 4.15%. Under certain circumstances, the lender has the right to demand an immediate repayment. Accordingly, all amounts outstanding under this loan have been classified as a current liability in accordance with standards recently set by the Canadian Institute of Chartered Accountants.

The interest expense on long-term debt for the year ended March 31, 2003 was $165,900 (six months ended March 31, 2002 - $118,400; year ended September 30, 2001 - $294,000). Interest expense approximates interest paid for all periods presented.

The capital leases are for a computer network (maturity date of June 18, 2004 at an interest rate of 8.01%), an AS/400 server (maturity date of February 8, 2005 at an interest rate of 5.48%) and a trunk tip/ring (maturity date of February 18, 2006 at an interest rate of 4.13%).

Note 11 Deferred expended capital contributions

	March 31, 2003	March 31, 2002
Deferred expended capital contributions at beginning of period	$ 33,015	$ 33,853
Transferred from deferred contributions to acquire capital assets (Note 9)	2,829	3
Loss on disposal of capital assets	(3)	-
Transferred to revenue	(1,657)	(841)
Deferred expended capital contributions at end of period	$ 34,184	$ 33,015

Note 12 Operating Net Assets

	Unrestricted	Investment in Capital Assets	March 31, 2003	March 31, 2002	September 30, 2001
Operating net assets at beginning of period	$ (2,783)	$ 9,684	$ 6,901	$ 7,181	$ 8,177
Net income (loss)	1,085		1,085	(237)	(847)
Internally funded:					
Capital acquisitions	(609)	609	-	-	-
Amortization and loss on disposal of capital assets	554	(554)	-	-	-
Repayment of long-term debt	(448)	448	-	-	-
Endowment capitalized investment income (Note 13)	-	-	-	(43)	(149)
Operating net assets at end of period	$ (2,201)	$ 10,187	$ 7,986	$ 6,901	$ 7,181

Note 13 Endowments

	March 31, 2003	March 31, 2002	September 30, 2001
Endowment book value at end of period before transfers for scholarships, awards and other support	$ 6,341	$ 6,379	$ 6,672
Less endowment book value at beginning of period	(6,379)	(6,184)	(5,842)
Net change in book value	(38)	195	830
Less contributions	(450)	(152)	(193)
Gross earnings (loss)	(488)	43	637
Loss (income) capitalized	488	(43)	(149)
Endowment earnings receivable (Note 6)	$ -	$ -	$ 488
Transferred for:			
Scholarships	$ -	$ -	$ 286
Awards	-	-	17
Other support	-	-	185
	$ -	$ -	$ 488
Endowment book value at end of period after transfers for scholarships, awards and other support (Note 6)	$ 6,341	$ 6,379	$ 6,184

Note 14 Changes in non-cash working capital

	Year Ended March 31, 2003	Six Months Ended March 31, 2002	Year Ended September 30, 2001
Accounts receivable (excluding pledges)	$ 421	$ 229	$ 2,203
Inventories	(101)	6	(10)
Prepaid expenses	29	33	266
Accounts payable	401	42	(1,375)
Accrued vacation pay	98	144	248
Unearned revenue	303	(310)	211
	$ 1,151	$ 144	$ 1,543

Note 15 Grants

	Year Ended March 31, 2003	Six Months Ended March 31, 2002	Year Ended September 30, 2001
Base Operating Grant: Province of Alberta / Learning	$ 10,873	$ 5,132	$ 9,751
Other grants:			
Province of Alberta	150	190	481
Government of Canada / National Arts Training Contribution	1,350	370	1,000
Other Government of Canada	1,442	180	603
	2,942	740	2,084
	$ 13,815	$ 5,872	$ 11,835

Note 16 Salaries, wages and benefits

	Year Ended March 31, 2003	Six Months Ended March 31, 2002	Year Ended September 30, 2001
Pension contributions included in salaries, wages and benefits	$ 730	$ 348	$ 664

Note 17 Financial Instruments

Financial instruments are comprised of cash, short-term investments, accounts receivable, note receivable, long-term pledge receivable, accounts payable, accrued vacation pay, and long-term debt including obligations under capital leases. The carrying amounts of cash, short-term investments, accounts receivable and accounts payable approximate fair value due to their short-term maturity. The carrying value of the note receivable subject to a floating rate of interest also approximates fair value. In management's opinion the debt obligations subject to fixed rates of interest do not differ significantly from their carrying values, as the Centre would only be able to refinance these obligations under similar terms and conditions as currently exist.

Credit risk - The Centre's accounts receivable and long-term pledge receivable are subject to credit risk due to the nature of the Centre's customers and donors. The carrying value of accounts receivable and long-term pledge receivable reflects management's assessment of the credit risk associated with these customers and donors.